



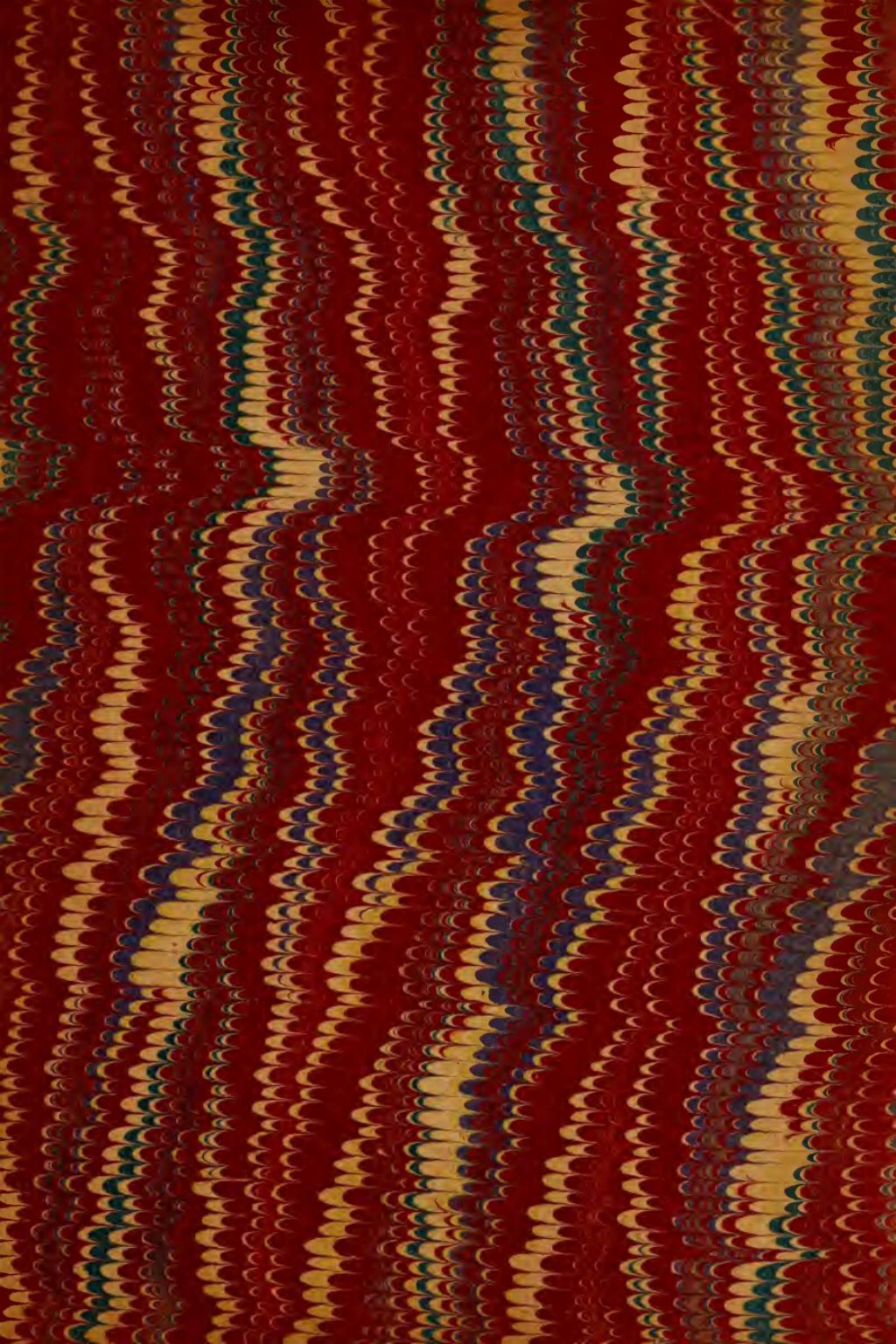
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P 23

UNITED STATES OF AMERICA.













THE

New Republic



H. J. PARKER, M. D., LL. D.



# The New Republic

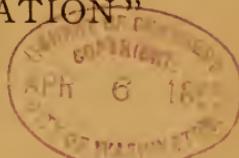
—BY—

H. J. PARKER, M. D., LL. D.

The same being Part First of a work by the  
author in three parts entitled

“THE AUTOMATIC CIVILIZATION”

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“The end of Politics is the good of man.”—ARISTOTLE.

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## PREFACE.

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During the past decade there has been a vast number of books, and almost a surfeit of general literature, treating of the various subjects connected with political economy and suggesting various changes and reforms in our political system—changes that might tend to correct abuses and prevent a drift of our government and institutions away from the solid moorings upon which it was planted by our forefathers; and, believing that I may have something that will interest the curious and perhaps instruct the less learned in politics, I offer for the consideration of my countrymen the *New Republic*.

I hope the title I have chosen will not suggest the thought that I herein advocate revolutionary measures, for I know too well the conservative disposition of the American people to expect them to be interested in theories that call for the adoption of totally new experiments in legislation. Evolution, rather, must be the order of progress, especially when the political system is well grounded in correct principles, as I take it to be the case in the United States. I have likewise

shunned all hair-breadth distinctions and ignored the discussion of abstruse and secondary subjects, such as wages and wage fund, capital and wealth, rent and interest; and for the reason that I believe, that, to dwell on these, is simply to mystify incidentals, while my aim is to simplify fundamental questions of government.

The fundamental processes of civilization are conceded to be the production and distribution of wealth, and however much I may differ from other authors, it seems quite clear to me that money, commerce and the inventive genius as manifested in mechanics are the great instrumentalities of these fundamental processes, or the economic forces, the adjustment of which determines all the minor, incidental or secondary elements, and that when the fundamentals are scientifically adjusted, the secondary ones will move automatically, when resting on a solid foundation.

I believe that the function of government, the object of practical statesmanship under democratic forms, should be to look to the adjustment of fundamentals and no further, (or little further.)

I have therefore dealt mainly with subjects that, as I view it, come properly under the province of legislative supervision, and ask the reader to follow me closely through the chain of thought presented, however poorly connected that chain may be.

1. The criticism on the land theory of Henry George is not as full as I would like to make it, on account of not wishing to burden the reader, and, in offering it, I realize the greatness of my foe and appreciate his efforts towards arousing thought on great problems.

2. My reasonings on money are not altogether new, but I think I have carried them a little nearer home than current authors; and, while commerce is touched upon but briefly, my aim, in that connection, has been, more to show the correlation of economic subjects or forces, than to enter into a general discussion.

3. The incidental and collateral questions of taxation and labor have been treated of to that extent deemed proper in a work of this kind.

4. On the law of population, while my observations may excite the curiosity of some and shock the modesty of others, I believe them to be based on sound principles of science and morals.

H. J. PARKER.

Clayton, Illinois, 1894.

# The New Republic.

## CHAPTER I.

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### INTRODUCTION.

“Mankind are more inclined to suffer evils, so long as sufferable, than to right them by abolishing the forms to which they are accustomed.”—*Declaration of Independence.*

Notwithstanding we live in a great age of progress and invention and that our government is one of the best among the civilized nations of the world, it is generally admitted that the condition of the masses of our people, as to prosperity, is not what it ought to be, nor what it might be with the right effort on the part of those who conduct our governmental affairs. We may readily note the contrast between the effusions of our Fourth of July optimists, who picture prosperity and happiness everywhere, and those of the average political innovator (or we may say demagogue) who sees ruin and revolution staring us in the face from every quarter; and, on striking an average between relative economic conditions of our

people, we get results not altogether satisfactory to our ideas of justice.

The conditions to be deplored and that attract, and force themselves on, our attention are found to be the outgrowth of inequitable distribution of wealth—a condition of great wealth concentration on the one hand and that of poverty on the other—such as doubtless suggested, to the mind of a great writer, the title of the work, “Progress and Poverty.”

The citizen, who puts a proper estimate on the mental qualities of the American people and who has reflected on the nature of, and the laws governing, political progress, will never fear but that these conditions will be righted sooner or later and in one way or another; but every one should, at the same time, feel that he ought to take part in solving the problems calling for solution and assist in the establishment of the proper conditions, and with this end in view, this volume is offered to my countrymen.

Lethargy and inattention are natural outgrowths of prosperity, and the mental characteristic inherent in the human species and so correctly set forth in the quotation previously given from the Declaration of Independence, may well be borne in mind. For, the encroachments of oppression, being always insidious, and the domination of wealth and power so unrelenting, the

further we might get in the wrong direction, the more difficult we will find it to move toward the other tangent.

The great question that has always been the subject of dispute in governments, and in our government especially, is to whether a government for the many is preferable to one for the few, and, though it has long been decided in theory and in the exercise of the franchise, it is not always reflected just what altogether constitutes and determines the kind of government existing, or when we might have the form and not the substance.

I shall, in this work, try to point out the principles on which our government is based and the economic forces that determine its drift in the one direction or the other. When we find the causes that, clearly to our minds, are drifting our government in the wrong direction, should we so find them, or, when we, on the other hand, find means of moving in the right direction, or further in the right direction, they will of course be removed in the first instance and adopted in the latter, and my province is only to help clear the way.

There are many elements in this country clamoring for legislation in one way or another, and I suppose it is because, in the first place, everybody claims and possesses the right to clamor; and, in

the second place, because many feel that they have grievances. That many will ask and not receive directly goes without saying, and for the reason that every grievance is not properly the subject of legislation; yet it is admitted on all hands that a correct differentiation is, and will be, one of the most delicate problems of statesmanship, and this in part because of the political relations between the legislator and the elector. As I view it, those elements that pertain to, or affect, all the people or a great number of citizens are more properly the subjects of legislative regulation than those that affect but few or fewer, so that, we may say, it is generally more than particulars that require the attention of writers and legislators.

And I may say it is the middle grounds that should be taken, and, though I may be accused of partiality, it seems to me that the interests of the mediocrity should be more particularly looked after; for, the class of citizens that have approached too far towards aristocracy or plutocracy require to be curbed rather than assisted, while the lower strata must draw their subsistence and their comparative prosperity from the prosperous condition of the middle classes, rather than expect legislative assistance directly. Hence it is, from the nature of the case, that the mediocrity is the objective point on which the legislative focus must be turned.

It is here that many writers are grounded. They seem to center their mental force at the wrong point and, by so doing, fall into errors. It may be observed that the author of "Progress and Poverty," for instance, looks always to the lower strata and expects to lift from the bottom altogether, rather than from the middle, as I would do, in order to both push and pull, or rather, in politics, to pull both up and down, so as to establish an equilibrium. Mr. George, as I think I shall make appear, aims to lift from the bottom, and his theory tends to crush the mediocrity between the lower and the upper strata, since he does not remove the upper. This difference in the course arrived at by different writers, I desire the reader to carefully consider.

Another mistaken position taken by political economists and writers and agitators generally, is that their innovations are characterized by radicalism, indefiniteness and prolixity. Their remedies are extreme; they are not definitely proven, and they are consequently tedious and difficult of comprehension, from all of which causes they are less quickly endorsed and less earnestly followed.

Take, for instance, first, what is called philosophical anarchism, or the abolition of government. These writers, by advocating no government and consequently no public offices (or few), would eliminate from our civilization one of the

greatest forces and incentives of patriotism, that of public life and honorable ambition, without which it would be difficult to conjecture where we would go to. Aristotle, in his far-reaching analysis, lays down three modes of life: (1) that of sensual and pleasurable enjoyment, (2) public life, and (3) the life of contemplation, the proper relative play of all of which constitutes the state of happiness, and, when we remove one of these, we would necessarily become a totally different race of beings. Hence it is that this pretended high ideal of philosophical anarchism is entirely too extreme and radical, and its advocacy only tends to prevent the consideration of more practical measures, to say nothing of its other features.

The same may be said exactly of Mr. George's system of taxation and land in common. Its adoption would necessitate a different civilization and is too extreme to meet with general approval, not to mention its objectionable features, which I think will be made clear in this work.

The position of Socialism is somewhat similar. The term means simply a broader democracy, or republicanism, but by carrying its claims too far, its more practical features are rejected. The postoffice department of our government is a social institution, and it may be reasonably and successfully contended that those branches of business that affect all the people, such as the money

system of the country and the railroads, should be placed on the social basis. Likewise of some other branches. But, when we talk of going to the extreme of legislating on the wages and hours of labor of the farm hand, or on local manufacturing establishments and isolated industry generally, we are going too far toward paternalism and find ourselves in collision with the true American idea of liberty. My aim in this work is to confine my theory of reform to the proper sphere and to those general principles and branches that may be seen to come within the range of practical legislation from the American standpoint of viewing things.

In much of the literature that has been afloat of late on subjects of political economy, I think it may be said that it is the result of but partial and incomplete study and investigation, so that clear cut and definite results can not be seen, as probably to follow the adoption of what has been contended for. This is particularly true of the mass of writings on the subject of money, and my aim is to make clear some of the problems here involved, by formulating a complete system of money, rather than simply to show the imperfections of present systems.

The advocacy of extreme measures or revolutionary theories and the imperfect systematizing of reform measures necessarily results in a pro-

lidity of argumentation that is ruinously confusing to the masses, and I often think that writers become sophists unconsciously. If it were said of some authors that they were employed to write for the purpose of confounding political questions, and we would then read their works from this hypothesis, it would appear quite clear whence they drew their inspiration, viz.: from that class of persons that aim to mystify political questions in order to impose upon their fellows. The subjects they discuss, such as the laws of wages, capital, rent, interest, etc., are fit enough to occupy the contemplative mind, but are of no special interest at one period of time, nor in any particular country, more than another; nor have they any special application to present necessary legislation, or at least not such a relation to the fundamental questions of political economy as renders their dilucidation profitable and urgent.

I am writing on practical, present, home questions and aiming to clear up in the mind of the reader what I consider urgent necessary legislation, that we may move forward in a grand political reform.

## CHAPTER II.

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BASIS OF GOVERNMENT—FORCES OF SOCIETY—LEGISLATIVE BASIS—SPIRIT OF PROPERTY—CENTRALIZATION VS. PATERNALISM.

“We only wish to be free, and liberty is but justice”—*Volney*.

Aristotle says, that “every art and every system, likewise every action and every choice, aims, it is thought, at some good; for which reason a common discription of the chief good is, that which all things aim at;” and he concludes very correctly, that the most inclusive of all arts or systems is politics, because it includes all others.

It therefore follows that politics, or the art of government, is that which should command our most serious and thoughtful attention. It must also be admitted that political systems are ever undergoing slow but certain transitions, and that the substratum nature thereof is, in this day of thought, undergoing close examination. And, seeing that no government in the past has given altogether satisfactory results in fully satisfying the aspirations of humanity, there are some who go so far as to advocate its abolition.

We hear and read much nowadays about the government and the no-government theories comparatively, and it is noticeable that those who take more to the anarchistic theory (less or no government) revert to the barbarous state with a feeling or sentiment something akin to a sympathetic approval, notwithstanding the elements and possibilities of progression toward happiness with which they are surrounded. They seem to look upon the present as a retrogression or degeneration from the past, rather than as a necessary transitory condition between the past lower and a future higher form of civilization. In fact many unschooled minds, and persons who are unfamiliar with politics generally, partake of this tendency of thought.

In keeping with this no-government theory, it may be observed that, in the past, no political system has been able to perpetuate itself, even when under the supposed guidance of supernatural dictation, as evidenced in the case of the Jews. It may be noted again that mankind must have succeeded in ascending the ladder of progress to a given point, and when in the weakest condition, without government regulations, and a question not the easiest to answer might be, what need we of a means of support when strong that we got along without when weak? This question is, to say the least, partially answered, however, in the

case of some peoples, in the overthrow of autocratic power and the establishment of republican governments.

The distinction between a government where a class rule the remainder and one where the entire mass govern themselves, is, in a sense, the distinction between government and no government; self-government being the absence of power from without, or of one part of the atoms over another part. Democracy and anarchy are therefore synonymous terms, and the advocates of the no-government theory, to be consistent, as it seems to me, can not, in a government by the people, demand more than a broader democracy or an improvement on that they already have, which is entirely within their own power to have. Evolution should be the law governing the progress of society, not revolution, nor abolition. An experiment outside of this law would indeed be an acknowledgement of self-incompetency equal to subordination to a superior.

#### FORCES OF CIVILIZATION.

The forces of civilization, or the forces of society in the process of evolving civilization, or what we may call the economic forces or processes, are, production distribution and consumption of wealth, the product of labor; and it is the relative play and adjustment of these forces that

produces this, that or the other resultant economic condition.

In the savage state these forces are limited in their development, and, as they develop mankind emerges from the primitive condition to the higher state. The savage produces little; there is little to distribute or to be accumulated, and little to be consumed or used and enjoyed; but as we advance, as cause or effect, these forces grow and assert their infinite diversification.

Now we may call, as the active forces, production and distribution; while consumption is the passive force. Speaking more correctly, perhaps, production and distribution are the real forces, while consumption may be called an element. The prime factor behind the process of civilization is action, effort or labor aiming at the accomplishment of results for the good of society, and, as self interest and preservation is the first law of nature, each atom of society seeks the enjoyment of the result of effort in just proportion or otherwise, as the case may be, and, while it is perhaps true that a part of the members of society are more inclined to be content with an unjustly small proportion of the results of a common effort, it is nevertheless true, as affirmed by Gibbon, that, "possession of the comforts of life by a few, which are denied to the remainder, is the source of all political agitations and revolutions."

Again, civilization being an art, government being an art, the instruments thereof are all inventions. The various means of progress are but so many inventions, the aim of all which is to lighten labor. Mankind are naturally inclined to procure the comforts of life with the least possible exertion, and in this sentiment the genius of invention takes its root; and the greatest task or highest function of statesmanship is to give to each member of society an equitable proportion of the benefits growing out of invention. If all the atoms of society are making an equal effort, the benefit ought to be equal, and it is no substantial progress where one member of society reaps the benefit from the exertion of another.

If the inventive genius tends to increase production in proportion to effort or labor, then labor should be proportionally lightened and comforts resulting from exertion greater for all concerned.

Let us illustrate an inequitable distribution: Previous to the emancipation of slavery, it made no difference to the slave whether labor-saving machinery was invented or no. In one case, as in the other, he worked twelve hours a day and procured only a subsistence. The master, owning all the elements of production appropriated all the benefits of invention, so that, while we may say that civilization was advancing, it

was not the entire mass of society that was advancing. The advance was toward the centripetal, or the centralization of wealth into the hands of a class, where such conditions existed.

Chattle slavery is not the only condition under which the same result may follow. There are many ways to adjust the forces and elements of civilization so that the same results may follow, and the famous dispute between Hamilton and Jefferson was on this point, the former advocating a government of, by and for a class; the latter advocating a broad democracy and equal opportunities to all.

The great and all-absorbing question in political agitations, is, who gets the wealth and how much; who procures the blessings of society and at whose expense; who bears the burdens and who procures the exemptions from those burdens? We may talk of high-sounding moral ideas and humanitarian principles of love and let alone your neighbor, in order to smother the cry of the mud-sills and to content the mob, but all great questions of society are the simple questions of bread and butter.

Let me not be misunderstood. Of course, when we say that the discontent found to exist in society is the result of an unfair distribution of wealth and hence that the remedy is a more just division, it must not be inferred that no account

is to be taken of and no credit given for, superior capacity, care and industry. All these qualities should have all credit that can reasonably be claimed for them. But experience and observation teaches that mankind are not inclined to complain of the results of their own folly, nor to claim what, in justice, does not belong to them. It is not natural and just, but the unnatural and the unjust, distribution of wealth that occasions the discontent resulting therefrom.

#### LEGISLATIVE BASIS OF CIVILIZATION.

Societies are formed by legislative enactments, and the nature of the laws determines the distribution of wealth. The burdens and exemptions, the privileges and immunities of society, are matters of legislation, and hence the various and varying conditions, economically speaking, as well as otherwise, as found to exist among men, are purely and almost entirely creations of law.

Laws may be so shapen that wealth will drift toward centralization or plutocracy, or they may be of that nature that the wealth current will be in the direction of a more democratic division. Now the designative characteristic of democratic legislation is that its aim and purpose is to protect the weak against the strong, the good against the bad, in a sense, the liberal against the greedy, and the ignorant against the cunning. That is,

speaking now economically. This is the essence of popular government and embraces the whole questions of liberty on the one hand and oppression on the other. Or, to put the proposition in another form, legislation, to be right, must guarantee to all members of society, so far as may be, "life, liberty and the pursuit of happiness."

This manner of legislation may be illustrated in our interest, property exemption and bankrupt laws, which are calculated to shield a more unfortunate class from the oppression of another class more fortunate, greedy or cunning. This kind of legislation may be termed legislation on capital and labor, or for the benefit of labor, upon which subjects some careless, superficial or interested writers have affirmed that government has neither the right nor the power to remedially legislate.

False political economists have looked upon government in somewhat the light presented by R. D. Goudy, in his "Hard Times and How to Cure them," as follows: "Hitherto so-called free governments have taken it for granted that their office was to maintain peace and order at home, and repel or prevent aggressions from without. Their chief aim has been to preserve a 'fair field and no favor,' so that all the separate atoms of the community might work out their own salvation or destruction with the least possible direc-

rection or repression on the part of the central power; in short they act as the policeman and the soldier, but not as the guide, counselor and friend. If the different atoms or aggregations of atoms are successful in their aims and are contented and happy, it is well; if not they must just submit to the inevitable and be miserable, discontented and unhappy." While this seems to have been and is yet, in a degree, the guiding policy of too many who aspire to the name and honor of statesmen, it requires but little reflection to see its utter fallacy.

R. G. Ingersoll, in discussing the question of legislating on labor, endorsed this "free for all" theory, but, in an illustration given by him, demonstrated only too clearly the absurdity of his position, as it seems to the writer. He said: "Put ten men on an island, each with ten thousand dollars, and in a short time one of them will have it all." Only too true. Remove from men the restraints of legislation, where they may get all they can and keep all they get, and it will not be long before the spirit of greed will accomplish the results so often boasted of as evidence of progress and prosperity, of one man appropriating to himself, by means wise and otherwise, the fruits of the labor of his fellows.

Government should not be instituted on the theory of the "survival of the fittest." We may

admit the correctness of this theory in the vegetable and animal kingdoms, and we have seen it hold sway in the primitive state of mankind and in societies presuming to a high state of civilization, but, when the human species put on the first apron, it stepped aside from this theory and government became more of an art than a science.

Civilization is the taking advantage of and improving upon nature; and government, properly instituted, should not be guided by brute forces, but by protective and restrictive law.

#### SPIRIT OF PROPERTY.

In the varied discussions on the subject of wealth centralization and political economy in general, we hear much said on the side of wealth about the "spirit of property." It is claimed that anything tending in any way to check the profits of the capitalistic class operates against the genius of enterprise and tends to stagnation. But those who fear a lagging of enterprise among the wealthy growing out of curtailment of profits, seem to fail to perceive that where a class is reduced below the possibility of encouragement in the direction of acquiring a competency, the spirit of property is a dead element, so far as a part of the community is concerned, and that the advocacy of legislation calculated to cause a more equitable distribution is nothing more than the spirit of

property asserting itself against those things that tend to smother the genius of enterprise among the masses. And it should be remembered that the spirit of property is a principle of relative value and application, that encouraged beyond certain limits or restrained too closely it becomes destructive of the end it should conserve, and that a just equipoise of this force constitutes the happy equilibrium—the most perfect state of society being, certainly, where the spirit of enterprise is possessed by the greatest possible number of citizens. The healthy condition of the enterprising spirit can not be measured by any arbitrary ratio of wealth increase or profit increase, nor by any particular opportune conditions, from the fact that opportunities vary with time and place as well as with circumstances. The chances for rate of increase can not be fixed, and may be at one rate now or here and at another rate then and there; yet, so long as profit is likely to be realized, the spirit of enterprise manifests itself.

I think, however that the most healthy condition of enterprise is where no particular fixed margin of profit is known and where the probabilities are that it will be moderate. If there is no opportunity for collecting a competency, the citizen becomes a spiritless slave—proletariat; if the profit is great, out of proportion, he becomes a reckless spendthrift or a sordid misanthropist.

Experience teaches us that moderate opportunities make the best business citizen, and that the man with moderate income is less liable to excesses and to failure than one with an income of ten or twenty times as much, and that fortunes easily acquired are seldom preserved, while the man, who knows how it comes, knows how to take care of it.

But, one man is not inclined to envy another more fortunate than himself, nor to complain of his lot, in the matter of wealth accumulation, so long as the regulations of society are such as to guarantee fair opportunities and justice. Let its institutions and legal regulations be such that one man may be seen accumulating a fortune which other men have produced and a part of which they rightly own, but for a class privilege that cheats them out of it, and unrest and discontent are soon manifested. The business movements of society, under these circumstances, take on the nature of a lottery; recklessness, luxury, effeminacy, pride and the spirit of ~~apprehension~~ <sup>ofressi</sup> follow inordinate gain, on the one hand, while a spirit of envy, hatred and misanthropy takes possession of those who have reasons to believe themselves unjustly dealt with.

On the other hand, let government, through the right drift of legislation, deal out justice to the creators of wealth and assist in making and

opening out opportunities for them, and happiness and content will follow prosperity as the planets follow the sun in its course among the stars, and civilization will bloom into a millennial fruition.

#### CENTRALIZATION VS. PATERNALISM.

The masses of the American people are instinctively opposed to a centralized government and are ever apprehensive of movements or tendencies in that direction; but I think there is a widespread misapprehension as to what tends to cause and what really constitutes centralization.

Centralization and paternalism are frequently confounded. Centralization of power, or a growth of nationalism, or an exercise of supervision over a wider range of functions, is but the natural result of national development and diversified industries, but the increase of paternal authority is not necessarily an evidence of that form of centralization that is inimical to democracy; for, the government is but a business enterprise and requires supervision; and, if the people's business is extensive (and if the people rule and develop industries their business will become more extensive), it will require supervision proportionally to development, and, while it may be termed paternalism, it is not that form of centralization of power that has heretofore, in the history of the

world, led to despotism, nor will it lead in that direction.

The form of centralization to be feared is the accumulation of wealth by a class out of all just proportion and known as plutocracy, the result of which is a centralism of power into the hands of a class of wealthy men who dominate legislation to their own interests and against the interest of the people. This plutocratic form of centralism seeks the conduct and management of the functions of government by as small a head as possible and by as few departments as possible—centering power in a few hands and tending toward despotism or Cæsarism. This class cry out against numerous departments or heads of government and designate as paternalism the management of the government by the people for the common good.

A great deal of confusion exists in the minds of some people on the question of state's rights and what may seem a growing tendency of the general government to usurp authority belonging to the state, but it has been settled by war and by legislation that the nation is above the state and is the supreme authority over the people, and this gives to the national government the unquestioned prerogative of determining its own powers and functions. This prerogative is a fixed quantity against which it is a waste of time

and energy to theorise, and to worry over it is simply "kicking against the pricks." It only a question for the government, from time to time, to determine her course and she will not consult a minor member as to the wisdom or justness of her conduct. That which seems to her as the proper element of her supervision she will take hold of and conduct, and a little reflection will, I think, teach us that the matters proper for her supervision are those things that partain to all the people, or nearly so; and it matters not how many things it may be.

Numerous departments does not of necessity constitute centralism, for the reason that each is a separate part of the government, any further than the power of appointment in the president may work a centralism, which, however, with the consent of one or both houses of congress elected by the people, is yet in the hands of the people and therefore not an absolute power.

The development and diversification of industries necessarially makes more business to be looked after by the people, and it is only through organized heads that it can be done, and, unless done in this way, it will not be done at all, and such leaving undone is the hope of plutocracy and the leading toward despotism.

## CHAPTER III.

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### THE LAW OF PRODUCTION AND CONSUMPTION— OVERPRODUCTION WHAT?

My purpose, in this chapter, is to show that the causes of the periodical business depressions that characterize modern progress, are not to be found in the natural play of the forces of production and consumption, but that they are connected more properly with the laws of distribution, where I propose to trace them.

A very little reasoning will, I think, teach us that the production and consumption of commodities naturally tend to move smoothly and harmoniously together, without jar or hindrance.

In the primitive state of society production and consumption are the only forces taken into account. Each produces what he consumes and consumes what he produces, and, it is not until production becomes diversified and consumption refined that distribution enters in as the great economic factor of civilization. Naturally, then, and prior to the invention of machinery, aside from the accidents or environments of distribution, the forces of production and consumption play harmoniously.

Consumption creates demand, demand stimulates production; production gives supply and supply satisfies consumption, and the two are inter-dependent and mutually satisfying and stimulating.

Taking a society of multifarious parts and in an active condition of progress, supply and demand must necessarily act with a regularity also, comparatively speaking, from the fact that they are inter-dependent, (and when we speak of supply and demand we speak of production and consumption), and, as the stream of supply or production will be regular and dependent upon demand or consumption, so will the stream or force of consumption, for the same reason, also be regular and steady, barring some temporary and artificial interruption or inequitable adjustment. True, an article now and then goes out of use or into disfavor because of another article taking its place to a better purpose, but this change from the use of an inferior to that of a superior product may be seen to be also a gradual process, and the general law remains that consumption draws on production with a regularity of action that will preclude the possibility of fits, jerks and spasms in the business and commercial world, except so far as these diseased symptoms may result from causes to be found in the process of distribution.

This principle of regularity and harmony in

the processes of production and consumption may be made to appear more lucid by a very simple illustration. Take the production of shoes. The manufacturer knows, before engaging in the business, about what there is in it, the cost of the material and labor, and the average demand for the class of goods he contemplates producing, and, once established in business, he increases or decreases, gradually or otherwise, his processes and the amount of goods turned off, according to the success he meets with, increasing with increasing demand, decreasing with decreasing demand, and, aside from the operation of some artificial or accidental cause, there will be no sudden crisis in the operation in question. People accustomed to wearing shoes will not all conclude, at once, to go without them, nor will all those unaccustomed to wearing shoes, at once conclude to wear them. The same is true in the various branches of production, and, taking all together, the operations of an entire society will be more regular than those of a single branch, from the fact that a crisis occurring in one branch of production, from accidental causes, would be only an ailment of one of the many thousands of members and could produce no general catastrophe.

Another simple illustration may be given, calculated to throw some light as to the origin of that condition in society erroneously termed "ov-

erproduction." Take the case of A, a butcher, and B, a baker, who are trading together and who are absolutely dependent upon each other for their respective supplies of meat and bread. Supposing the wants of each of the families to be regular, the production of each will be an exact regularity also, and will all be consumed. Now suppose that, from some cause, A is unable, either directly or indirectly, to get to B's place of business and consequently unable to procure bread, and that B finds himself in a similar predicament. Each will, in such a case, have, in a short time, a superabundance of his own product; while each will, at the same time, be entirely destitute of the product of the other, and we find the conditions, of "overproduction" and destitution existing contemporaneously, and, as we can in this simple illustration see, resulting from the simple fact that "production and consumption can not meet and satisfy each other," as Henry George says. A will be worrying about his inability to procure bread and B about not succeeding in getting his usual supply of meat, while the outside observer, who, we will suppose, is ignorant of the causes and conditions in the premises, steps in and wonders both at the accumulations of each party of his special production and at the complaint of each about not being able to procure what he stands in need of. When questioned as to causes, the said

observer, judging from his observation of the stored-up products of each and from this fact alone, concludes, with gusto, "overproduction."

Should the observer be informed by each party that neither were producing more than the usual amount and that each stood in need of the other's product, he could readily see, in this simple and isolated case, that the only trouble was that the parties had only failed to exchange products and would probably point out a remedy; but in the intricate network of society, where thousands of products of producers and consumers are involved, the situation is more obscure, because of the exchanges being indirect rather than direct as in the illustration.

But let us proceed with the discussion a little differently. The condition called "hard times," and as supposed to result from "overproduction," but which nevertheless presents the absurdity of confusing cause with effect, is characterized by a constant and never-varying set of symptoms which are, (1) decreased exchanges, (2) falling prices, (3) lack of employment for labor and therefore suffering of the poor, (4) a consequent decreased consumption, (5) a consequent accumulation of products in the hands of producers, and (6) a then consequent decreased production; and if the last symptoms are consequential and if they really exist, we have the absurdity as presented

in current theories, of plenty producing want, and of decrease producing increase, or the subtraction of one number from another giving a remainder greater than the sum of their addition. These symptoms or conditions are so inter-dependent and co-related, one necessitating the other, that it is not without difficulty that cause is often distinguished from effect, but I think it must at least appear clear that the conditions of accumulated production here, and that of want there, co-existing, points, for a cause, toward a diseased condition of distribution.

I can not close this article without reference to a currently proposed remedy for hard times—economy. The parties A and B, referred to in the fore, going illustration, meet and hold a consultation over the situation, and holding current notions, A suggests to B the propriety of economizing. B replies "I have turned off my hired man and cut off other expenses, yet I haven't succeeded in procuring what you produce," at which A exclaims, "and I have discharged my hired girl, and doubtless she and your hired man are tramping the country in search of means of support." After consultation A and B strike upon a plan of re-establishing their former relations. A begins to use more bread and re-instate his servant, while B likewise begins to increase rather than curtail expenses; the unemployed secure work, want dis-

appears, production goes on, and all because "production and consumption were made to meet and satisfy each other," and thus demonstrating that the condition called "overproduction" is simply a symptom of a diseased condition of exchange, a term used to denote an unexplained economic phenomenon.

But there is such a thing as over-production, in one sense, and it results from the unfair distribution of the benefits that accrue from the use of machinery. Here is where the forces of production and distribution become so confused together that it is not always easy of dilucidation to all minds. But I am writing for practical purposes and it is not necessary to draw fine distinctions. Under the wage system, the employer or owner of the instruments of production receives an excessively major portion of the products of industry or of that which, in the round of trade, represents products; and, this being more than the employer consumes, there drifts upon the market a surplus of products. The employe can use no more than his wages will procure, while the employer can not use up his portion. It is true the employer will use proportionally more than the employe, if not in the exact products, in other products obtained through exchange and transfer, and will give employment to other forms of labor; but, his portion is so great comparatively,

there is yet an accumulated surplus. This surplus of products causes a fall of prices, when in consequence the employer curtails production, with the view of having the surplus consumed, and the employe being thrown out of work, consumes less, and the condition of hard times and overproduction supervenes.

Now here is a result following the appropriation, by a class, of the instruments of production, a name to which must be given, by the class which has too much, without explaining the causes to the class which has too little; and the former names the condition, correctly as it applies to that class, *over production*; while the latter repeats the word, sees plenty around him which he can not get and wonders how it has been brought about.

A little reflection will show us that this condition might supervene locally and to some extent independently of the conditions of distribution generally and the reader may bear this in mind: that is, that, while the greater questions are in the laws of distribution, those of production must hold a place.

## CHAPTER III.

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### DISTRIBUTION—LAND DISTRIBUTION—THEORY OF HENRY GEORGE.

“The most happy state of society is where every man has a home and lives in it and the world is at peace.”—*Confucius*.

In the various forms of government that have evolved from the primitive state, the institution of landholding has necessarily characterized all, and a question of continued and recurring contention has been, the manner of it's holding and the legislative restrictions over it. Land in common, large holdings by a class and subdivision into small holding, have been the forms agitated and adopted at various times and in various societies; and, what system is best adapted to our civilization, and what part the land question plays in economics—whether cause or result of other mal-adjustments—are questions of great importance to the American people and will be considered in this chapter.

It has been claimed, but by what author I have forgotten, that ‘the characteristic sentiment of the Anglo-Saxon race is a desire to own a permanent home,’ and I think the statement may be

made as a fundamental truth, that this sentiment is the basis of real progress and civilization. In an essay to the French people in 1790 on "the sale of the domain land," M. Volney laid down the following principle: "The force of a State is in proportion to its population; population is in proportion to plenty; plenty is proportion to tillage and tillage to personal or immediate interest—that is, to the spirit of property.

Whence it follows that the nearer the cultivator approaches the passive condition of the mercenary, the less industry and activity are to be expected from him; and, on the other hand, the nearer he is to the condition of a free and independent proprietor, the more extension he gives to his own forces, to the produce of his lands and to the general prosperity of the State."

Centralization of wealth into the hands of the few is conceded on all hands to be the forerunner of despotism and, of all things, the most dangerous to republics; and, land being the basis of wealth generally, or that form of wealth, the monopolization of which is considered the most to be feared, very naturally this form of holding is the most inimical to our institutions.

Centralization of wealth into the hands of a class, and a progressively smaller class, seems to have been the culmination of governmental effort preceding the downfall of ancient nations. In

Egypt, in Babylon, in Greece, the land of letters, and in Rome first the greatest republic and afterwards the Empire of iron, the work of statesmanship has been the centralization of land into the hands of a small percentage of the population, following which, with the certainty and regularity of the movements of the stars in their orbits, has come confusion, revolution, decay and reconstruction under new forms and new conditions.

As remedies for this centralizing tendency, to prevent in some cases and to cure in others, various, and often plausible, plans have been offered by legislators and reformers: small holdings by the Gracei of Rome unsuccessfully, the peculiar system of reversion and prohibition instituted by Moses, etc.

The most prominent innovator of the present time, who has attracted attention, is Henry George, with the claim that "private property in land" is the dragon to be destroyed, and offers, as a complete remedy for all ills of society and as the only means of progress to a higher civilization, "land in common," or "appropriation of rent by taxation." Beginning on page 250 of his "Progress and Poverty," we read: "For the ownership of the land on which and from which a man must live, is virtually the ownership of the man himself, and in acknowledging the right of some individuals to the exclusive use and enjoyment of

the earth, we condemn other individuals to slavery as fully and as completely as though we had formally made them chattels. In a simple form of society where production chiefly consists in the direct application of labor to the soil, the slavery that is the necessary result of according to some the exclusive right to the soil from which all must live, is plainly seen in helotism, in villainage, in serfdom."

While this must all be admitted, yet Mr. George here supposes that one class owns the land to the exclusion of the remainder, and draws an inference which can not be drawn when we suppose a subdivision of land; nor does he make a distinctive point, in favor of the theory of land in common, as against that of subdivision into small holdings of absolute ownership, which we think the better system.

Again, "It is slavery of this kind to which the enduring pyramids of Egypt yet bear witness, and of the institution of which we have perhaps a vague tradition in the biblical story of the famine during which the Pharaoh purchased up the land of the people. It was slavery of this kind to which, in the twilight of history, the conquerors of Greece reduced the original inhabitants of that peninsula, transforming them into helots by making them pay rent for their lands. It was the growth of the 'latifundia' or great landed estates

which transmuted the population of ancient Italy from a race of hardy husbandmen, whose robust virtues conquered the world, into a race of cringing bondsmen; it was the appropriation of the land as the absolute property of their chieftains, which gradually turned the descendants of free and equal Gallic, Teutonic and Hunnish warriors, into Colonii and Villains, and which changed the independent burghers of Scalavonic village communities into the boors of Russia and the serfs of Poland," etc.

Certainly. But, in the transformation cited, did not the changed conditions result from changing a proprietor into a renter? Was it always land in common, or ownership in subdivision, that constituted the happy state preceding the subjugations referred to? What Mr. George is here really condemning is land centralization, or its appropriation by a class that has the power to exact in rent whatever amount that suited their fancy, even to all, save a bare subsistence in misery. Yet in the same connection the author goes on to condemn private property in land, making no distinction between the two extremes of a great subdivision and a great centralization.

Mr. George deplores very rightly the tendency in this country to land centralization, and seems to conclude that ownership at all must necessarily ultimate in centralization into a few hands,

evidencing which we read, page 269, "These great estates by the power with which the greater attracts the less, in spite of temporary checks by legal limitations and recurring divisions, finally crushed out all the smaller proprietors, adding their little patrimonies to the latifundia of the enormously rich, while they themselves were forced into the chain-gang became rent-paying Colonii, or else were driven into the freshly conquered provinces or to the metropolis to swell the ranks of the proletariat who had nothing to sell but their votes." Here the writer intimates that his reason for condemning private property in land is the supposed lack of power, on the part of legislators, to prevent centralization, or to provide legislative conditions calculated to operate in the direction of subdivision.

But how are we expected to be able to pass from the present system to land in common, if unable even to legislate limitations or subdivisions? I think that, in the case of Rome and other ancient states, it was not a natural law of attraction that caused the larger estates to absorb the smaller. There is no such law, and it can only be through the means and instruments of exchange and by means of legislative exemptions, restrictions and favoritism that can bring about the conditions mentioned as having come upon the nations gone.

Admitting that the nations possessed the

greatest force and the people the greatest prosperity when land was owned and held by a great number and that its centralization into the hands of the few was followed by evil consequences sought to be everted, Mr. George admits that centralization is what we should guard against, and that reasonable limitations in private holdings is the remedy so far as the land question is concerned. While centralization of land is the condition to be guarded against, it is, like other conditions, a result and not so much a cause.

The author of "Progress and Poverty" seems to argue the land question from the standpoint of a supposed state of anarchy, where each member of society is free from all legal restraints and where the survival of the fittest, free pitch in theory holds sway. We may note this in the following, Page 250, "P. and P.:"

"Place one hundred men on an island from which there is no escape, and whether you make one of these men the absolute owner of the other ninety-nine, or the absolute owner of the soil of the island, will make no difference either to him or to them. In the one case, as in the other, the one will be absolute master of the ninety-nine." True enough; but let us suppose that the hundred start out, each with equal quantities of land and with regulations prohibiting any change in ownership, then certainly the condition of slavery can not supervene.

But let us proceed a step further with Mr. George's argument against private property in land in subdivision. On Page 234 the author of "Progress and Poverty" asserts that "should the few thousand landowners of Great Britain be increased to two or three millions, these two or three millions would be gainers but the remainder of the population would gain nothing," and concludes that "The subdivision of land can do nothing to cure the evils of land monopoly or in improving the condition of the lower classes." How he can come to such a conclusion after stating that nations flourished in glory when land was subdivided, I am unable to conceive.

Let us suppose a community of ten thousand where ten men own the land, composed of ten estates. A part of the remainder are tenant farmers and a part artizans and laborers. The ten men have about their own way; the tenant farmers are sorely ground down with rent burdens, and the artizans and laborers, supplying the wants of the few landowners are also reduced, since the farming class are too burdened to employ labor of any class. In fact the farmers, artizans and laborers are found frequently exchanging positions, like two men each with a poor horse who would readily trade in the vain hope of striking a profitable bargain. The wants of the ten proprietors will draw on the labor of the

artizans and laborers, only spasmodically, according to the well known inclinations of a luxurious and effeminate class, and we may guess the condition of the community as anything but happy, excepting that of the landlords. We will now suppose the ten estates as devided into one thousand, each owned by an independent proprietor, the remainder of the citizens, artizans and laborers, as before. The aristocracy has now disappeared, leaving the other classes no drones to support. The saving now of rent goes to, or is saved by, the landowners, who, in this new condition of prosperity, will all contribute much to the artizans and laborers in the more general employment of labor and purchase of works of art. With the supposed change in the foregoing illustration who can deny that private property in land in small holdings is, to say the least, far preferable to centralization into a few hands, or that labor would not be benefitted by subdivision?

On page 232, "Progress and Poverty," it is argued again that subdivision of land would tend to check or diminish production. As the latti-fundia of Rome grew in area, in the same ratio were vast tracts of land vacated, and in Great Britain to-day vast bodies of land are being converted into private parks by the rich landowners, many of whom seek pleasure rather than wealth additional. Is it natural to suppose that the man

possessing thousands of acres and money plenty would crowd the last acre to produce as carefully and as certainly as would the man possessing but forty and in need of what might be produced from it? It may have been observed, in isolated cases, that the possessor of a large area of land in an abnormal desire to create a fortune, might produce more from the same amount of land than an indolent small holder; but to take into consideration the multifarious forms of domestic production, in both the vegetable and animal varieties, it requires but little reflection to convince us that, as a rule, numerous homes of absolute ownership is a superior form of land occupancy to broader fields with no homes on them. Besides, a feverish state of production is neither evidence of lasting prosperity, nor necessary for the good order of society. The machine that runs too fast wears out the sooner, and the best cultivator of the soil is the occupant who feels enough interest in the land to give it reasonable rest and attention. Who will do this more than the absolute owner? Certainly not the man who occupies to-day and vacates to-morrow.

~~There need be no worry about production. Millions of acres will yet lie idle long after the discussion shall have been settled and in whatever manner settled. Civilization is more interested now in securing an adjustment that will make the people contented and happy.~~

Reading "Progress and Poverty" through, however, it has impressed me similarly to a novel that ends in disappointment; for after showing from history and otherwise, the direful consequences of land monopoly, and advocating land in common from every possible standpoint of consideration, the author proposes to remove all restrictions to land accumulation or centralization, save the taxation of rentals. Page 292 we read, "Let landowners retain possession of their land and call it their own. Let them buy and sell, bequeath and devise. It is not necessary to confiscate land, but only necessary to confiscate rent," or "to appropriate rent by taxation."....."In form the ownership of land would remain just as now. No owner of land need be dispossessed and no restrictions need be placed upon the amount of land anyone could hold." And, in connection with this only change of diverting rent from the landowner to the government, taxes are to be taken off of every other species of property. Is this a remedy for land monopoly and for the suffering and poverty of the poor? We think not altogether.

In the first place the remedy does not suppose the non-possible existence of forms of wealth accumulation other than land. It does not touch upon the system of government bond monopoly of stock and loan companies of various kinds, and general monopolistic manufacturing combinations

that, in various forms, have fattened upon government favor and exemptions and the labor of the millions through all ages, only that it proposes to exempt these classes from the burdens of society. It proposes the taxation of rent, but the "leaving to landowners a percentage of rent, which would probably be much less than the cost and loss involved in attempting to rent land through state agency." Now it seems that Mr. George here contemplates the owning of land, under his plan, by corporations or large holders, and I am frank to say that such would be the result. For, certainly, a confiscation of a part or the whole of the rentals would discourage small holders and throw land upon the very rich who are always satisfied with a low rate of interest on their investment, provided it is perpetuated. Then the rich class and the state are to enter into a partnership in landholding, and each is to receive a portion of the returns. Admirable combination!

The rent is not (because it could not) to be placed at any given rate, nor to be adjusted so as to fluctuate with the changing fortunes of tenants, and there would be no tendency toward reduction at the instance of landlords and no probability of an effort in that direction by the state, from the fact that land is the only source of a necessary revenue. Land monopoly then would

continue as it ever has. The tenant or cultivator would be in no better fix than now, yet "P. and P." affirms that what ruined Egypt and Greece was the purchase of the land by the Pharaohs (state) in the former, and the "payment of rent" to the landlords in the latter. Besides, what is there to prevent people from renting unoccupied land now, and would taxing it more, or changing the ownership to the state or to a corporation, tend to encourage its occupancy or to relieve the condition of the poor? Wherein would it tend to a more equitable distribution of wealth?

Again, under the plan proposed by Mr. George, taxes and consequently rent would be more generally exacted in money and prompt payment demanded, which would force the sale of products in the most unfavorable markets; and, under existing systems of money and trade regulations, the rent-paying farmer would be reduced, by forced environments, to the possibilities of a bare subsistence and descend to an awful condition, similar to that so correctly depicted by Mr. George as existing in the declining days of Greece and Rome.

But according to all rules of business the rent of land would be more oppressive upon the tenant (supposing a tenancy) from the fact that the owner of land, having a given amount of money invested in it, will aim to make a profit over and above in-

terest and taxes, and if taxes are more he must have more rent if possible. This principle of business is too well understood to require extended comment. The only way possibly to help the condition of the tenant would certainly be to lower the rent, but evidently this can not be done by increasing taxes.

On page 206 "P. and P." the author lists a number of monopolies aside from land and says it would be unjust to tax them, because taxing productive industries tends to check and hamper production.

What is land in the hands of the owner but so much capital invested in land as a matter of choice or judgment, the same as it is invested in various enterprises? The various forms of enterprise are continually changing places and all wealth is subject to interchange every year, month and day. The owners of wealth or capital are ever changing its position, as a matter of choice and as it may seem from time to time the more profitable, in this, that or the other field. A man owns land to-day; to-morrow it is exchanged for stocks or bonds or invested in a business venture, and so the ownership of land is but one of the tangents or parts of departure for the investment of money. A man invests in land on the same principle that he does in anything else, and when land is taxed we are taxing production as much so as anywhere else.

And pray, in the name of reason, why, in the circuit of capital investment, should we stop at land and say, at this point or if capital stops, or when it stops here, we will catch it and impose a burden that is to be applied nowhere else? The state has the right to tax, and should tax, the more fortunate members of society truly, but why say that they shall be exempt from this burden so long as they do not invest in land and double the burden so soon as they do? And does the imposition of a tax tend to discourage all industries save farming, while it must encourage that? By what rule of philosophy is this proven? Where do we generally find the delinquent tax list? On land very generally, which certainly does not demonstrate that land should pay all the taxes. And whoever heard of a monopoly in manufacturing, mining, money-lending, etc., going down on account of tax burdens?

History is replete with instances of national decay and degredation attributed, and correctly attributed, to onerous impositions of tax burdens upon the rural and agricultural populations.

The author of "P. and P." recites quotations from Rev. W. S. Tennant, Miss F. Nightingale and Macauley, on the squallor and misery existing in India because of the burdensome taxes and government rentals on land and the usury of money-lenders, yet, as a remedy for similar evils,

he would add to, rather than take from, the burdens of landholders and tenants, and writes a large book on political economy, in which no remedy for the robber systems of money manipulators is offered, unless his land tax theory is such a remedy.

On page 303 "P. and P." the author absolutely claims that the state should *take in taxes the entire rental*. When you take all the returns from a man's investment you take the investment itself. Under these circumstances a man's land would simply be confiscated by the state, for the owner could neither get any return on his investment nor sell it to any one else, for the same reason.

A great many people, previous to the war of the rebellion, were in favor of the government buying the slaves from the master, since they were chattels and the owners had their money invested in them. It would have been the cheaper plan, and just, from a business standpoint. And, if the government is going to confiscate the property of the citizen because he has invested it in land, it should pay for it. If she takes all the rent in taxes this would certainly be the result, and the owner, if he continues to occupy, is simply transformed into a cash-paying tenant, who would in many instances fail and the land would pass into the hands of the government. It can not be argued that the government could, after thus acquiring land, rent it to

another at a lower tax, because this would be simply robbing one man for the benefit of another; and if she can do this, obviously would the cultivation of land be encouraged by a change of ownership? Any vacant land in America can be rented to-day the same as it could be under government control.

In book VII., "P. and P." Mr. George squarely advocates the confiscation of land, without compensation to owners.

On page 310 of "Progress and Poverty," Mr. George, in supposing that a great stimulus to production must follow the adoption of his plan, says "this in turn would lead to an increase in the value of land;" yet in drawing a highly colored picture of its prophesied results, on page 313, he infers that "the selling price of land would fall and land speculation would receive its death blow." Where "the value" of a thing "increases," I can not see how "its selling price would fall." Looking from one side of the proposition, we see that a man who owned land would want to sell as soon as taxes were doubled on it; but, from the other side, we see that the cause that induces him to sell tends to prevent another from buying, and so the plan would have neither the effect of encouraging or discouraging speculation.

When we come to the comparative situation of improved and unimproved land, there are sug-

gested different probabilities. Take a vacant lot in a city or a tract of unused land. If taxes are increased the owner, under the George system, concludes to either sell or improve. If he is able he may erect buildings thereon, but, if unable to do this, he may be forced to sell at a low figure to one more able to improve; so that the plan, in this case, only encourages land monopoly and centralization of wealth. If the small landowner is taxed more he is more inclined to sell, while the landlord, who lives on rent rather than on cultivation, can better afford to buy so long as there is a margin of profit from rent after deducting taxes.

A man would approach his neighbor, under the plan of Mr. George, and say, "you are not able to improve this land, but if you will sell it to me for a reasonable price, I will then rent it back to you at a very moderate rental." But after the bargain is made to sell or after sold, the owner places the rent where he pleases to the seller or the next applicant, and this is about the way the plan would work as it seems to me, and thus, again, we see the monopolistic tendency of the George system.

Let us revert again to the matter of increased production as is predicted to follow the George plan and which is offered as an argument in its favor. Does an unnatural crowding of productive forces always tend to the promotion of happiness

and comfort? From the standpoint of political economy it is not a question of quantity as much as one of relative enjoyment and distribution. We need entertain no fears as to whether or no there will be enough produced, but should rather concern ourselves about the proper distribution of products. And, it is a matter of easy demonstration that a plan which would carry production to a high degree, might, at the same time, entail misery and wretchedness on the producer.

Suppose a community where exists everything favorable for a high state of production, machinery, rich soil and population. If a few men own all the natural advantages, all the wealth and instruments of production, and the remainder of the inhabitants as well, they may crowd production to the highest pitch, and yet appropriate all to the gratification of their desires, while the real producers may be reduced to absolute misery, to the point of mere animal existence.

On the other hand, if we suppose the community divided into equal proprietors, we see a condition favorable for substantial comfort for all, yet they are not obliged to produce beyond their own necessities and inclinations. There may not be so much produced, but there is a better condition generally.

The slaves of the south, in days anti-bellum, produced more than the freedmen of to-day, yet

they only received a subsistence. Their condition has been little improved, however, owing to their exclusion from the land and the consequent appropriation of their labor by rent, which is the same thing as the "appropriation of rent by taxation."

#### SPECULATION IN LAND AS THE CAUSE OF BUSINESS DEPRESSIONS.

A proposition of Mr. George, in keeping with his general theory, is that speculation in land is the cause of the periodic depressions of business that has so generally marked the progress of societies. Is it true?

What is speculation in land? It is buying and selling and trading in land at the option of the owner or from forced circumstances, and Mr. George tells us in his argument for the appropriation of rent by taxation, that "it will not be necessary to confiscate land," and that landowners "may continue to own, to buy, sell, devise and bequeath land as usual;" yet he has squarely condemned all forms of private holding in previous part of his book, to which we have referred.

That there should be, in any new country, a steady advance in land values growing out of the regular progressive development of industries and increase of population, is natural, but to suppose an advance in price of land out of proportion

with the general advance of productive forces, I can not concede as reasonable. It would seem that, all other things being equal, the advance in price of land would be regular, that it would only keep pace with productive forces, ebbing and flowing as production and population ebbs and flows. And how is it that the worst of business collapses may come suddenly when there is no unusual contemporaneous change in land ownership, and disappear independently of any considerable commotion in land transfers.

It may be noted that speculation in land more frequently follows than precedes a business crisis. In fact it is the crash in the commercial and financial world that makes forced sales and gives opportunities to the rich. It may be noted also that in a business depression land is the last thing to change price, and that its price is nearly regular all through the crisis, especially among the rich. Now, speculation grows out of fluctuation of prices, and, since the fluctuation in land values is less than anywhere else, it would seem that land-ownership in subdivision would have the effect of mollifying the severity of a business crisis rather than otherwise, from the fact that the possession of a home and consequent freedom from rent exactions, from either the state or the landlord, would be some protection, when the means of payment are wanting, as is the case in such crisis.

The rule is as it seems to me, as regards land speculation, that it is governed by the same laws that govern speculation in other forms of wealth, and, rather than being a cause of depressions and commercial catastrophies, it is one of these catastrophies itself, ultimately. It is the result of business activity, in the first place and when going upward, and, in the second place, the result of business depression, going then downward; in the first case, tending to subdivide under the play of centrifugal forces; in the second case, tending toward centralization, under forces centripetal.

Illustrative of the relation that land speculation bears to good and bad times respectively, I cite a transaction, one among many, that came under my observation during the last years of and immediately after the late civil war. An acquaintance owned eighty acres of land, all paid for, and was getting along fairly. Times began to grow flush, money plenty and prices advancing. Wheat went to two dollars and fifty cents per bushel, and, wheat being the main product of his land, he began to dream of approaching fortune. There lay along by the side of his land another eighty acres which was offered him at a price such as he could see he would be able to pay in a few seasons and with the wheat it would produce at the advanced price, which he supposed would be maintained. He made the purchase,

giving a mortgage on both tracts as security. The money of the country contracted, prices went down, my friend failed to make the payments, and a speculation in land, in the interest of the richer man, who took possession of all my friend's land under the mortgage, followed. The speculation of my friend in buying was the exception, at the time, as may be understood, from the fact that when prices are advancing, one is about as apt to hold as is another to buy, and the same might be said when prices are falling. It is the cramped condition in which the weaker party finds himself that opens the opportunity for land speculation in the direction of centralization.

The centralization of land into large estates is a result, as previousslay stated, and not a cause, and, until the cause is removed, we may expect the result to follow, the same here as in other departments of entetprise. It is the instrumentalities and means, by which these results are brought about, that concern us and that require the scrutiny and investigation of statesmanship, and I can but think that the defect of Mr. George's disquisition consists in the deplored of results, the causes of which he has failed to find and consequently failed to dilucidate and lay bare. These causes and instrumentalities are the instruments of exchange, as only by exchange can wealth be centralized, and they will be dealt with fully in succeeding chapters.

The author of "Progress and Poverty" admits the incorrectness of his position, however, on page 192, where he asserts the trouble, in business depressions, to be that "production and consumption can not meet and satisfy each other," and discovers some of the real causes of these depressions on page 189, where we read: "The essential defect of currencies which contract when most needed, and the tremendous alternations in volume that occur in the simpler forms of commercial credit which, to a much greater extent than currency in any form, constitute the medium or flux of exchange; the protective tariffs which present artificial barriers to the interplay of productive forces, undoubtedly bear important part in producing and continuing what are called hard times." This seems, though, to be an admission rather than an opinion, judging from what we find in other parts of the work we are criticising.

Mr. George has made some references pregnant with thought, namely, the active conditions of trade in this country during the war of the rebellion and in England during the Napoleonic struggle, and affirms the cause to be that of enormous government expenditure—of a policy of prodigality, I might say, instead, of one of economy. In part true, but was it not more truly caused by a system of exchange which forced "production and consumption to meet and satisfy each other?" In

each instance government credit in the shape of a legalized medium of exchange carried both the nations named through their most trying struggles, in a condition of business prosperity that was followed by depression only after the withdrawal of the cause of prosperity. And, in the case of the United States, when a business crash struck England, which should have reached this country in 1866, according to precedent, it did not come, notwithstanding our then enormous destructive forces going on and the necessary activity of speculation during that period from causes numerous and patent.

In Book VI, "Progress and Poverty," the author comes to the consideration of the "remedy" for the increase of poverty, and, to the peculiar method of argument resorted to here, I desire to ask the reader's attention. The author's aim now is to center all thought on the notion that to make land common property is "the remedy," and, as we may suppose, attempts to eliminate all other possible remedies.

Refer to Book VI. and read it critically, and it will be seen to overflow with dogmatic assertions, assertions naked, positive, yet without proof or reasoning. The remedies there condemned and that I wish to notice, are "co-operation," "government direction" and "distribution of land."

Under the head of co-operation, the author affirms that "social evils do not result from a con-

flict between labor and capital," that, "if co-operation were universal, it could not raise wages or relieve poverty;" that "it is simply a device to save labor and eliminate risk;" that "it tends to increase rent." To me none of these propositions seem proven, and the author finally says that "where co-operation has been tried, it has, in many instances, improved perceptibly the condition of those immediately engaged in it," and closes the book by quoting approvingly from an eminent author the following: "We are made for co-operation—like feet, like hands, like eye lids, like the rows of the upper and lower teeth."

When he comes to consider government control and interference, the author of "Progress and Poverty" affirms that "it is itself bad," that it will not work without a "strong religious faith, which is daily growing less," would lead to "anarchy" and "barbarism," that government would "break down in the attempt." This government will regulate, direct and restrict many things, and yet obviate these direful consequences.

A writer who, in criticising a remedy that comes in opposition to his pet theory, resorts to such woeful predictions for the opposition, is certainly lacking in substantial argument.

I have already sufficiently commented on the remedy, "distribution of land," and only desire to add here that "Progress and Poverty's"

criticism is no criticism at all, from the fact that the author confines his discussion mainly to cases where land is subdivided among tenants rather than among proprietors. (See "Progress and Poverty," page 236.) The author says that to restrict the ownership of land "will not decrease rent." Why won't it, since a free proprietor pays no rent at all?

As to the proposition to loan money at low rate of interest to landowners, Mr. George simply says that it "needs no argument to show it would lead to ruinous results." (Progress and Poverty," page 232.) I have at least ventured to argue the question in another part of this book, to which the reader is referred. (See Money and Its Function.)

The author of "Progress and Poverty" makes many fine definitions and distinctions that, while interesting as reading matter, are nevertheless of that class that we may denominate "hair breadth" and "distinctions without differences." For instance, he devotes much space to showing the difference between capital and wealth, when a very little reflection teaches us that, for all practical purposes of thought, there is really no difference, because both capital and wealth, and in any and all forms, are interchangable and ever interchanging. The absurdity in trying to separate the two may be seen in his attempt to prove

that land is not wealth because a gift of nature, and that only the product of labor is wealth; also that bonds and stocks are not wealth, because their destruction would leave just the same amount of tangible useful things. Bonds, stocks and land are ever interchangeable for all other things, and why call one by one term and another by another? Are they not all stored up labor in a sense? A man buys a piece of land at a given price in money that represents his labor, the same as do other acquired things; and, if it advances in price, after long holding, his labor has caused its advance as well as invited emigration. If a farm, he has cleared and plowed it; if he has simply held it, he has been out of the amount invested and paid taxes on it, and, after all, it is labor.

Now in Book VII. where the author of "Progress and Poverty" deals with the 'Justice of the Remedy,' he bases his entire case on the positive assertion, irrefutably reasoned out, that a man "*has the absolute right of ownership to the fruit of his labor.*" True enough, but, when he undertakes to prove that land is *not* the result of labor, here is where he fails, and, when he fails here, his groundwork is gone and the entire superstructure topples over. That land is originally a free gift of nature, makes not a particle of difference in the argument, since, as at present held or held as

proposed by Mr. George, it must be regarded as capital, or "wealth used for the production of more wealth."

If, in a given case or in a certain community, land is purchased at a low price and advances rapidly, without additional cost to the owner, this is but one of the many modes of speculation that may be observed in various fields of enterprise and one of the advantages that the possessor of wealth, in any form, has over him who possesses less wealth or business judgment. Land must therefore be considered the same as other property.

"Progress and Poverty" is a valuable book and has helped clear away many superstitions, and to correct many errors in the theories of political economists. It demands relief for the people and paints in vivid colors the evils of land monopoly, but, as for the writer hereof, he shall continue to think that land, in reasonably small holdings, should be freed from burdens rather than otherwise, and that the happy state is where every man may "sit under his own vine and fig tree, with no one to molest or make him afraid."

## CHAPTER V.

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### MEANS AND INSTRUMENTS OF DISTRIBUTION— MONEY AND ITS FUNCTION.

“The control of the nation’s money is the shaping of her destiny.” “With the same system of money, all nations will ultimately seek the same level.”—*Anon.*

In the primitive state of mankind the rude and limited productions of society were interchanged by means of barter or direct contact; and merchants were accustomed to meet at certain centrally located marts and there effect the exchange of their wares. While this mode of exchange was slow, we can at once perceive that the system could not have been much subject to what is now known as periodical crises, since there was no intervening factor, the derangement of which could prevent production and consumption meeting together.

For similar reasons we may know that rapid and excessive accumulation of fortunes into individual hands could not have so easily occurred. Fortunes accumulated and wealth concentrated, but more slowly and from causes other than those connected with the means and instruments of ex-

change found in use in the present times. People could not buy and sell and speculate, because there was no money, or representative of commodities, to buy and sell with. Products had to be brought together and one given in exchange for another; and the process of getting products together was slow and tedious.

In modern society exchanges are effected by means of media of exchange that make the transfer of commodities more rapid and at the same time more subject to speculation, and these media are of such a nature that they may be controlled by a class to the injury of the remainder of society, more so than it was possible to control the products of industry under the barter system. Hence the results of inequitable distribution as evidenced in civilized societies. These considerations force us to an investigation of the means and instruments of exchange or of distribution, with the hope of finding a solution of the great fundamental problem of political economy, and with the view of so adjusting those means and instruments that the products of labor may be more justly and equitably distributed.

Not ignoring collateral instrumentalities of exchange, the slightest reflection must open our minds to the fact that all the major processes of distribution come within the scope, if not directly under the head of finance; which, being true, sug-

gests at once the absurdity of attempting to solve the basic problems of political economy, independently of a consideration of the science of money and art of financing. Yet many of the most prominent writers on political economy have ignored the money question, among whom I mention Henry George, who, like others, seems to deal with the subject of money as a natural thing, like air and water, and which has no place in politico-economic writings.

In commenting on the depressed condition of labor amid advancing wealth, in the introduction to his work, the writer of "Progress and Poverty" says, "there is distress alike in countries where gold or silver is the exclusive currency, and in countries where paper is money," making no distinction as to the probable results of differently instituted systems of money, nor giving the subject any great importance as an economic question. After the statement "in countries where paper is money," and after the statement in foot note on page 38, that "money represents wealth" (which is so universally an accepted definition), the author adds, in same note: "In speaking of money in this connection I am of course speaking of coin" (metal), "for, although paper money may perform *all* the functions of coin, it is not wealth and can not therefore be capital. If money only "represents wealth" (which is correct), and if "pa-

per money may perform *all* the functions of coin" (which I also admit), it is difficult for me to make the distinction that metal money *is*, and that paper money *is not*, capital. The author of "Progress and Poverty" first here makes "two things equal to the same thing, and yet not equal to each other."

The foregoing is about all the author of "Progress and Poverty" has to say on the subject of money, which is one of the great defects of a work which in many respects is valuable.

A maxim of far-reaching import is the one laid down by Sir Edward Gibbon, that "Iron and money are the two main instruments of civilization," that, "without the discovery of the one and the invention of the other, the present civilization would have been impossible." In this great truth there is food for reflection—"The discovery of the one and the invention of the other." Iron was discovered, money was invented, but money has been regarded, by political economists and the world at large, as a discovery rather than an invention; and, as it is inventions that are subject to progressive improvements, more so than discoveries, money, having been originally confined to discovered commodities, has been regarded in the light of a fixed quantity and its possible evolution into higher and more perfect systems has been ignored; and while, as Gibbon affirms again,

"the use of gold and silver as money is altogether factitious," the effect of the adoption of these metals as money has been adverse to the progress of financial science. And, the production of gold and silver having been limited in quantity, it has been a matter of common observation that people talk about money as they do about the weather. They do not seem to realize the powers of intelligence to change or improve the conditions in the financial world, but seem to rely more on the probabilities of nature. Legislators, even (in the supposed absence of dishonesty), find a great difficulty in eliminating the metal idea from their financial theorizing.

If we would but reflect that money is an artificial and not a natural thing, we would find ourselves more ready and willing to investigate its institution and more anxious to seek its adaptation to the wants of society. Those who control this agent of distribution are doubtless aware of its true nature, and hence manipulate it to their individual interests, to the injury of those less familiar with the subject.

Conceding then that money is an invention of man and that therefore it may be improved from less to more perfect systems, we may very properly proceed to examine into its nature and function.

The conditions calling for the need of money and its true function is clearly set forth in

the following extract from Aristotle's Ethics, written some twenty-two hundred years ago, and in that subdivision treating of justice and reciprocation in exchange.

"It is therefore indispensable that all things which can be exchanged should be capable of comparison, and for this purpose money has come in, and comes to be a kind of medium, for it measures all things and so likewise the excess and defect. For instance, how many shoes are equal to a house or a given quantity of food..... For unless the terms are somewhat equal there can not be exchange..... The cause of exchange is demand for commodities, for if the parties were not in want at all, or not similarly of one another's wares, there would either not be any exchange, or at least not the same. And money has come to be, by general agreement, a representative of demand, and the account of its Greek name is this, that it is what it is *not naturally*, but by *custom or law*, and it rests with us to change its value or make it wholly useless..... And further, money is a kind of security to us in respect of exchange at some future time (supposing that one wants nothing now, that we shall have it when we do,) the theory of money being that whenever one brings it one can receive commodities in exchange. .... So money, like a measure, making all things commensurable, equalizes them as near as may be."

The transition, from the state of barter to that calling for the institution of money, was characterized by the invention of tokens of value, which was a mongrel (half horse and half man, because part barbarous and part civilized) institution. It was wealth, in one sense, and only a representative of wealth, in another sense. It was money in one sense and yet not completely money either. It was money among people by common consent, but not money in a legal sense, because made by expert and not by the fiat of any political power. It was made of some valuable or universally-sought-for product, such as gold or silver, and passed for whatever could be procured for it, according to its weight and the value of the material composing it, and according to the inclination of the parties concerned, much the same as money now is exchanged for products of labor and commodities generally.

Next in history comes the institution of money by government authority, and very naturally, borrowing from the past, improving upon the past, the metals came first into use as money. And having arrived now at the point of departure, where the sanction of government becomes necessary in the institution of money, or where money becomes a "creation of law," let us see how government creates money, what process is gone through with in its institution. And, beginning

with the beginning of government, we may trace it in its institution in the United States for the present purpose of illustration.

On the adoption of the constitution of the United States and the consolidation of the States into a government, our legislators, after some experimenting in borrowing that which they had the right and the power to create and which it was their duty to create, concluded that the United States was a government, the same as that of England, France or Russia, and proceeded to attend to the financial affairs of the people under the act of 1792, which reads about as follows, on this subject: "The money of the United States shall be expressed in dollars, or units; dimes, or tenths of units; cents, or hundredths of units; and mills, or thousandths of units; and all business transactions of the government, and all proceedings in the courts shall conform to this regulation." Now in this there was only the establishment of a unit or standard of payments. We had money and we yet had no money. We had the idea, the real institution of money, but we had not yet chosen a carrier of the idea, the material on which the fractional parts of the law should be impressed and which should carry into execution the government fiat.

By going back to our schoolboy days we may find that we knew more about money than we

sometimes admit that we know now; for then when the question was put, "what is United States money?" we readily answered, "Ten mills make one cent, ten cents make one dime, ten dimes make one dollar," and, as some rules had it, "ten dollars make one eagle." This is all there was to United States money. It became at once evident however that the tangible thing, the unit in substance to carry the unit in law, was an indispensable condition, and hence the government selected, then and from time to time since, different carriers of the units; first silver and gold, then copper, nickle, alloy, and finally paper. In the case of the metals, the amount to be put into the coin was also a matter of legal choice, so that, so far in the process of institution, law or government fiat reigns supreme.

But another step in institution must be taken before money is completely made, and that is a declaration with regard to the performance of function. It is not yet complete, with the metal, without the law. So, in the law creating each of the kinds of money, there was subjoined the clause, "and this shall be a legal-tender at its face value for" so or so much, according to the will of congress in each case—"legal-tender *at face*," and not at material, "value."

By thus analyzing the institution of money we arrive at the conclusion, with Aristotle, that

"money is a creation of law." What are we to understand by face value? On the metal dollar we find, "United States of America One Dollar," and on the paper unit we read "United States will pay the bearer One Dollar. Now here is a distinction without a difference that confuses some people. In coining the paper money the secretary of the treasury was authorized to "place upon it what-ever inscriptions and devices he may deem proper," and, following the custom of the past in the issue of bank or private paper, he made the wording as we find it, as a matter of choice and not from the requirements of the case. It may just as well have been the same as the wording on the metal, which has also the defect of not stating the legal-tender clause in full, for on the back of the paper the true idea is perfected in an expression of the legal-tender function.

It may appear to some, however, that there is a connection between the intrinsic and the legal idea in the promise to pay clause, and in the current notion of a supposed need of redemption.

Let us examine this hypothesis. Were the wording different, people would think differently about it. The real legal status of the case, as we shall see, precludes, in fact, the idea of redemption of the paper with the metal dollar. If the wording were *promise to receive*, the situation would be the same. The government paper

money says promise to pay; but when, in one day or a thousand years? But on demand. I present a paper dollar for redemption and ask the government official for one dollar in United States money. The official asks, "what kind of a dollar"? A gold dollar will do. "But this bill does not promise gold." Well then a silver dollar will do. "It does not promise silver." What then does it promise I desire to know, when the official replies, "One Dollar," and, turning the other side of the bill, on which he finds, "this shall be a legal-tender at its face value," he passes it back to me, instructing me to go and procure any commodity I may wish with it, the same as I exchanged for it, thus getting back what I gave, an equitable redemption in exchange.

#### QUANTATIVE CONSIDERATIONS.

Money, from its having been confined to the metals and thus considered as a fixed product of nature, dependent upon accident rather than inventive regulation, its relative quantity has been looked on about as has been rainfall, in one sense; and, in another sense, it has been considered as a regular and constant reward of industry. "If you have anything to sell you can get money," "there is as much money as there ever was I guess," "go to work and get money," are common sayings among the people. The error, in the en-

tire case, results from the original error that the source of money is nature rather than legislation. But having seen now that it is a creation of law, we should begin to reflect on its quantity relative to population and the conditions and demands of trade, the effect of quantity on general distribution.

Some writers on the subject have seemed to understand clearly this quantitative factor and importance, yet they have not always given a remedy for the fluctuations they deplored. They have however rendered a great service in the line of progress, since, by showing the necessities of the case, the remedy may be expected to follow.

#### ESSENTIAL QUALITIES OF MONEY.

The first thing in order, in formulating a plan or system of money, is to note the conditions to be fulfilled and the requisites and qualities seemingly necessary to be possessed by that which is to supply those conditions.

The conditions in society calling for the use of money, as appearing to me, are an instrument, universally recognized and legally enforced, by means of which all products of labor and articles of commerce may be conveniently exchanged without loss, by which services can be discharged in universal "kind" (in something that procures any commodity desired), and a something by means of the existence of which credit is possible and contracts to be satisfied.

These are abstract qualities or conditions necessitating the creation of a unit of value or money; but there are special qualities that should be taken into consideration, more particularly connected with the material out of which money is made. These we shall proceed to discuss with a view to the comparative worth, as money, of metal and paper.

1. The substance of which money is made should be always obtainable at any time and in any quantity; otherwise, we may infer the possibility of all the direful consequences of its absence. If money is a thing of necessity at all, it is necessary in ratio quantities, or number of units, as much so as is food for human sustenance or fuel and oil for driving machinery. Two men can not handle the same unit at the same time, no more than can two men eat and subsist on the same dinner, or two locomotives operate on the same fuel, or by dividing the fuel necessary for one. The metals have never been and never will be in all probability, so obtainable, while paper meets this requirement to a nicety. This rule is so patent that only its mere statement is necessary.

2. And this first proposition being established, there follows naturally the second, that money *should be made of the cheapest possible material*, at least that part needed for government expenses. This from the fact that its purchase, or produc-

tion, is an item of great magnitude to the government creating it, and consequently to the people. To make money for government expenses of a substance, worth, in the markets of the world, as much intrinsically as its face value in law, is equal to not making it at all, or to borrowing and paying interest on it. The metals, gold and silver are commodities possessing a value before made into money equal, or nearly so, to the purchasing power of the money into which they are coined, while, comparatively speaking, the cost of paper made into money is but a trifle.

3. From the two foregoing we draw the third proposition, that *money should be made in such a way and of such a material that it is not liable to monopolization.* Any product of labor is liable to be monopolized, and a natural product limited in amount especially so. Gold and silver, before being made into money, are very liable to this defect, and, when converted into money, not only as much so, but are furthermore instruments by which all other products or forms of wealth may be monopolized, from the fact that money can not be made of anything else, supposing an exclusive metal currency. Paper money, when issued by the government and not therefore controlled by a class, is free from the evils and dangers of monopoly, that is, it is not liable to the control of a class in the matter of quantity to be issued and

kept in circulation. Even should a class aim to control trade by contracting the money accumulated by the money lending fraternity, the stringency may be relieved by an extra issue by the government through the channel of public expenditures, whether the government adopted a system of direct loans or otherwise.

4. Money should be, fourthly, as nearly as possible, *destructable without loss and replacable without cost*, which is a proposition similar to our second. According to the best obtainable statistics, about one to one and a half per cent of all money is lost annually from wear and tear, abrasion, hoarding, loss, and the various destructive processes of fire and water. In the case of the metals the loss from these causes falls on the government, or the people, as well as on the individual, while, in the case of paper, the loss falls only on the individual, and is a gain to the government of the entire amount, save cost of manufacture. By the use of paper the expenditures of government, wholly or in part, are saved, on the same principle that a machine is kept running by the use of an inexpensive self-lubricator.

5. Fifthly, money should be made of a material *not required in the arts to the injury of the distributive processes of society*. The metals are used in the arts very extensively, and to the extent which art draws on them, there remains a smaller over-

plus for the purposes of money; and, since, as civilization advances, more money is required, and more of the metals appropriated by, or sought for, in the arts, and since the supply of the metals must be and remain limited, we must draw the inevitable inference that the use of gold and silver as money is incompatible with a progressive civilization.

Some of the more minor qualities may be referred to, such as *portability* and *difficulty of imitation*. While gold and silver are superior to iron or copper, in the matter of portability, paper possesses this quality to an infinite degree. The cost and danger and inconvenience of carrying the metals is more considerable than at first glance would be thought. But a few dollars is a burden to the individual when carried on the person, and to be transported otherwise is expensive. In the case of paper money we have not only the advantage of lightness, but the single coin may represent the smallest fraction of a unit, or any number of units desired, thus rendering the cost of carriage infinitely small and the convenience infinitely great.

So far as the probabilities of imitation are concerned, there is not so much difference, yet the balance is in favor of paper. Silver has been counterfeited very extensively, in this country, gold considerably, the government perfected silk-

threaded paper very little. The cost of machinery for the manufacture of the paper money, as now made, is so great, compared to the simple devices necessary to turn out a fair looking imitation of a silver dollar, that the probabilities of counterfeiting are with the metals. Two brick bats and a little ingenuity turns out good-looking half dollars, while the machinery necessary to manufacture of paper money, such as our government turns out as "legal-tenders," would cost a fortune such as, if one possessed, he would have no occasion to engage in the business to say nothing of the certainty of being detected on account of the extensiveness of the machinery and of getting together the various materials necessary for the process. And a metropolitan paper has recently stated the case in propounding the conundrum, "Why is a greenback like a catapillar?" the answer to which is, "because it is difficult to count her feet (counterfeit):" yet on a large scale the government can coin paper cheaper than metal, infinitely cheaper.

The customs of the past fetter, in many ways, the possibilities of the present; and, since the metals have been used as money, through past ages, it has a hold upon the times, not only by virtue of the theories that have been promulgated from a false premiss, but also by virtue of the interests that are interwoven with the metal system. But

it's having been the theory of the past is, on that account alone, no more an evidence of it's truth than was the ante-Copernican theory of astronomy the correct one, and, as a broader view of the heavens has swung the earth from it's supposed resting place, so will a deeper penetration into the science of money cut it loose in the future from the idea of metal basis.

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## CHAPTER VI.

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MONEY AND ITS FUNCTIONS (CONTINUED)—SPECIE-BASIS SYSTEM—DEBT—BASIS SYSTEM—CREDIT-BASIS SYSTEM.

The development of the science of money, or the art of financing, like civilization itself, has been a gradual and interrupted process. It has ebbed here and flowed there, according to circumstances, yet, underneath, above and around the temporary fluctuations, the spirit of progress has asserted its force. And, what we may regard as one of the intermediate steps between the metal

and the paper systems, is the "specie-basis" system which has played so important a part in financial revolutions and which yet dominates the realm of political economy, to the utter confusion of that science and to the detriment of an equitable distribution of the products of labor.

This system of money grew out of a scarcity and need of money, on the one hand, and the opportunities it offered to the spirit of speculation on the other. It starts out on the inconsistent and absurd pretension of issuing notes, by individuals or private institutions, with the promise to redeem them in specie money, whenever presented, of course, when the lack of specie can be the only reason for putting out the notes. It has been called the convertable system, when really the inability of the issuer to convert is demonstrated by its institution. If a man issues a due bill payable on demand, he must possess the money at time of issue and be ready to redeem it at any time, and, this being the case, there is no reason for issuing the bill at all.

This system really means that the issuer of notes puts out as many paper promises to pay dollars as possible, over one dollar of coin held in reserve, and relies on his ability to prevent them from returning, for his profits and the perpetuity of his institution.

The paper so issued is not money, because issued by individuals, and, if issued by government and adhered to, is subject to the same objections; for, while it may increase the volume of the circulating medium temporarily and thus give temporary activity to trade, it is nevertheless subject to greater fluctuations than an exclusively metal system. Because a coin system is, in the first place, subject to the fluctuations of international balances, and, if paper is issued over coin, in excess of coin reserve and based on coin, a reduction of one dollar of reserve makes a reduction of several times the amount of the paper. It has been very correctly compared to an inverted pyramid, the removal of a very few bricks from the base causes it to topple over.

This system, with few legal guards and restrictions, as in "wild-cat" days, runs about as follows: One man possesses one hundred dollars in gold coin, while three other men, owning property, are in need of money, each one hundred dollars. The first man makes the proposition to issue to each of the others one hundred due bills, agreeing to redeem them all on demand. The offer is accepted, in the absence of anything better, and the receivers of the bills pay interest on them, while the issuer keeps the hundred dollars in real money. The first man draws interest on his debts which he is unable to pay, or on a purely fictitious capi-

tal, and the borrowers owe him three hundred dollars in money, their obligations standing against them and the bills having passed into general circulation. One of two results must follow; either the bank must break from presentation of bills above amount of reserve, in which case the banker has collected interest on his obligations, only one-third of whtch he redeems, and holds obligations for all bills lost; or the system must be continued through credit, in which case the banker draws interest on his fictitious capital and an additional profit for the bills lost and destroyed which, in a given length of time, amounts to the original amount. Thus the system gives the money lender entire control over his fellows and could but result in the centralization of wealth into the hands of a money power. The banker can not loose in the operation, and an expression of an old Scotch banker, who had made his fortune out of the old wild-cat system, is a patent truth, that "banks break but bankers never."

#### DEBT-BASIS SYSTEM.

Next akin to the specie-basis system is what I will call the debt-basis system, an illustration of which we have in the national banking institution of the United States. This system presumes to be specie-basis and, by virtue of the government force behind it, presents the features of an abso-

lutely convertible system, but an examination reveals it to be only indirectly and remotely so. The first objectionable feature of this system is that it depends, for its continued existence, on a perpetual bonded debt. The banker begins in this system with a bond or debt of the government, instead of gold or silver as in the specie-basis system. In fact when the system was instituted in this country there was no coin in the country, but in lieu of coin, the government paper known as the greenback, steps in as a basis and answers every purpose, notwithstanding the greenback is itself a debt representative, according to current notions.

In this system, the government favors those who possess a given form of property, by issuing to them an amount of bills nearly equal to the face of their bonds or property, while they continue to draw their regular interest on the original investment, and, in addition draw interest of course on the bills issued over their bonds. It may be further illustrated by the following. Ten citizens of a given community possess each ten thousand dollars. Five of them invest in government bonds, the other five in farms, both classes as a matter of choice of course. The profits of both classes, we will suppose, are equal, all things considered, and we must suppose this from the fact that investments are voluntary and inter-

changeable—each investing from choice in bonds or land and changing investment from the one to the other as he sees fit. The two classes are, at this point, on equal footing and neither has a right to complain, and should each be entitled to the same privileges and immunities.

In the event of there being a deficiency of money in circulation and in case the government should decide to issue money in any form to its citizens as a loan over property as security, justice would say, treat all alike. Rather would it seem a little the better policy to issue the money to the farmers, from the fact that they pay the taxes and are engaged in productive enterprise, and the further fact that the government bond, on the other hand, represents a condition of indebtedness that should be canceled as soon as possible, (and the bondholder has the privilege of converting his bond into money and money into land at his option.) But the government has so far seen fit to issue the notes to the bond-holder, while the wicket is closed against the farmer. And yet it is the land-owners that want the money with which to keep the forces of production going, rather than the bond-holders who, if they wanted money, have but to call on the government for what it owes them. The only use the bondholder has for money is to collect an additional interest on his capital from the farmer, from whom

he is certainly exacting usury under this system.

The aim of legislation in this country since the inception of the national banking system, and as dictated by the creditor class, has been to get rid of all other forms of money in order to create a demand for bonds and to force the business public to borrow money from the national banker. On the simplest calculation we can see the motives behind the system, and, if carried out or extended, as is the aim so soon as circumstances will admit of, the entire country will be at the mercy of the banking fraternity and the eastern capitalist. And, while silver as money may not be as convenient as government paper, nor as cheap a form of money for government expenditures, it would be a great help to the west if its coinage were free, and to the entire country, if all that could be coined might enter circulation and thus come in competition with the notes of the national bank; even though we adopt a paper unit, this should be permitted. It would wonderfully develop the silver-producing countries and make prosperous communities out of what now are dead and lethargic ones, and infuse life and energy into business over the entire nation. It is simply non-sense to talk about its parity with gold, for the reason that, as every sensible man knows, its monetization guarantees parity at once. All that is in circulation now is at par, and that is in

the rocks only requires the government stamp.

The only argument of the creditor class for the use of bank notes instead of government paper, is that bank notes are limited, in amount that can be issued, by the amount of the national debt, while the amount of paper issued by government would have no such guard against a superabundance. But, the same power that authorizes the issue of paper may also authorize an issue of bonds, and this has already been hinted at in Congress. Indeed the whole scheme of converting the greenbacks into bonds was not to guarantee specie payments and get rid of a redundancy of currency, but its object was to institute the national banking system; for, be it remembered that national bank notes were never better than, but actually redeemable in, greenbacks, that the laws providing for the change authorized twenty per cent issue of national bank notes over and above the amount of greenbacks destroyed in lieu of bank issues, and that full monetization of the greenback brought it on a par with gold.

If a condition of perpetual indebtedness and the issue and control of our paper money by a class constitute a desirable system of money, then it can only be said that it is fairly under way and may easily be extended.

Taking into consideration the double interest the banker gets on his capital, and the power of

the fraternity to contract and expand the volume of money and to corner all that money represents, we need not wonder that farming does not pay, nor that government bonds are above par in the money markets of the world. Neither need it surprise us that the banking class are and have been crowding the retirement of greenbacks and the demonetization of silver, in order to create a demand for their notes. This system, the aim of which is to drive all opposition out of the market, is the most clearly for a *class* of anything hitherto attempted.

#### CREDIT BASIS SYSTEM.

Suppose now that the government, in the first place, desires to suppress this system, and to supply the people with money, in the second place, based on the wealth of the country. She calls in the national bank notes and issues greenbacks, which are the same thing as the bond, so far as evidence of debt is concerned, (even though you call the greenback a debt) with the exception that one, the bond, bears interest and is never lost to the advantage of the government, while the other, greenbacks, bears no interest will never fully return and answers the purpose of, and is, money. The national banker is paid the balance due on his bond and is at liberty to invest or use his

money as he chooses and in the manner he chooses. The government issues money over land and the banker may invest in land if he wants.

With this entire change of base for money supply, we arrive at a revolution in financing that at once decapitates the monster usury and places the bond-holding and banking fraternity of the country where the slave-holder was placed on the emancipation of the slaves, with the exception that we do not rob him of his property, (as we propose to pay him for his bonds,) but only stop him from robbing the people. Instead of a system that has always given a class the control of the amount of money and the price charged for its use, a system is proposed that places amount of money and price for use in hands of and at the will of the people. With such a system, money will drift toward land, instead of toward debt, (the bond) and land will appreciate in price, as the bond has done heretofore, and to the general stimulus of industry and production.

Under the bond national bank system, bonds are ranging way above par because of the double interest drawn on them and their exemption from taxation, while land is burdened with taxes and is less profitable than it should be. Shift the privilege from the bond to the land and a general stimulation to industry must follow. Then we would have a system decentralizing in its tenden-

cies, because it would turn the current of enterprise toward land the source of all wealth; whereas the bond bank system engages enterprise toward a bonded indebtedness. I have called it the credit basis system because, in it's adoption, the government utilizes its own credit for it's own benefit; and, the land constituting the government, it is simply mutual or self banking. It is a peoples currency.

In the next place, it tends to prevent usury, bankruptcy and break-ups and land-grabbing by being an optional credit system. That is, the option is with the borrower, through his representatives in Congress, as to rate of interest to be charged (which would be very low,) and with each individual to hold it as long as he chooses, so long as interest is paid. If he is successful or fortunate in crops and health he may pass it back into the treasury, as all would do with money they could not use, rather than pay even a low rate of interest; if less successful he could hold it until fortune changed. Under all other systems these options have been on the side of a money-lending class and oppression has thus been the lot of the masses through the ages.

Following the foregoing idea is that of the system being naturally self-adjusting to the business wants of different sections. As conditions of seasons changed, so would the money flow in diff

erent directions, on the principle that "bodies move in the line of least resistance" or that "nature abhors a vacuum," and production and exchange would move, as near as might be possible, with the precision of the circling orbs of the universe. It could not expand to a redundancy, because money is never given away but only enters circulation for value received in labor or products. Its quantity could only be commensurate with production from this law. For we may remember that it matters not how much money there might be made by the government, or how many postage stamps, or how many railroad tickets, the amount going out depends entirely on the use-wants of the people.

Uniformity of values would result from this system, because prices fluctuate with fluctuation of money supply, and panics would be a thing of the past. Supply would follow demand, and demand for money being subject to the calls of production, as the latter would be stimulated by the consumption demands of society generally, production and money supply would go hand in hand, and neither over-production nor depreciation of our money would be possible.

Depreciation of money could not occur at home from another fact that the metals being demonetized would in the first place fall in price, and in the second place the paper dollar, being the exclu-

sive unit of value, would only be measured by itself and would have nothing to depreciate from. It would not depreciate abroad from the facts that the foreigner passes it right back for our products, and should it tend to depreciate, the percentage of depreciation would act as a duty on imports, and thus "the hair of the dog would cure the bite." If our unit should tend to depreciate, in London, from the English standard, it would of course buy less goods there, and this would be the same thing as duty on said goods: they would cost more. And, as it is through commerce that our money gets into foreign countries, principally, our unit of value would simply have to stand alone and take care of itself. Its circulation in foreign countries would be governed by the laws of commerce, as would commerce be governed by the laws of finance, as we shall further see under head of commerce.

Another advantage of the system that might have properly been mentioned when we were considering the relative value and convenience of the metal and paper systems, is that the nation saves and absolutely stores up, in the thing itself, or its value in wealth, the entire amount of the metals produced by our mines, which, under the metal system, is put to use as a circulating medium. To use the metals as money they are taken out of the market as commodities, and finally destroyed

in performing the money function. The individual may procure as much, or even more, for them, but the nation uses them to oil the wheels of industry, and thus loses what otherwise might be traded to good advantage for the wealth of other climes, that would go to make up our sum total of the comforts of life; that is, that portion of the metals that we did not want to appropriate in the arts ourselves.

The adoption of such a system of money as herein advocated, would raise us to a higher plane of civilization, and, on the principle that the greater attracts the less, or that the higher draws the lower, or that the superior inspires the imitation of the inferior, other nations would follow, in the march of progress, through the adoption of a similar system. Because, the stimulus given to our productive industries, by a system of money that guarantees a plentiful supply and a uniformity in the play of economic forces, would raise, gradually and surely, our productions to higher forms, and we would sell that which cost little labor and buy that which cost more labor to produce. If a man can do well otherwise he will not do drudgery, and he always tries to get objectionable labor performed by some one below him in the scale of necessities. As we develop and become independent, we seek a higher field of labor, and, when, through an active condition of trade, employment

seeks labor, rather than labor seeking employment, we may either expect the foreigner or the inventive genius by machinery "to do our dirty work." The results will need but to be seen to be imitated and the perfected system of money may thus lead the nations on to a higher ideal of civilization.

Supposing a sufficiency of money among the land-owning class, or that those who borrow will pass it back to the accumulation of the money in the treasury of the country, the equilibrium may be maintained by paying government expenditures therewith and the suspension of taxation. In fact the issuing of money for the defraying of government expenses is properly a part of the general plan. The two plans or ways of issuing money, under the guidance of statesman-like management, would operate in a way to make each adjustable to the other and at the same time to preserve an equipoise of all the parts. There will always be public work to be done and always public expenditures necessary.

The idea proposed by some of employing idle labor at a fixed rate of dai'y pay would do to some extent, but the basis of employment should be judicious, necessary improvement, and not the clamor of labor or need of employment by labor. For, should the government fix a given rate and hold employment always ready, she would simply

open the door of money issue, not as dictated by the intelligence of congress, but to the clamor of the proletariat, who, from every quarter, would presume to dictate legislation prompted by their selfishness and ignorance. This would place legislation, to a great extent, at the disposal of, and dictated by the lower strata, and the proletariat would dictate the course of empire, as did the soldiery of ancient Rome.

The issue of money, either to the land owners or for public improvements and expenses, is not to be governed by any arbitrary or fixed rule, but by the will of the people as the exigencies of the case may determine from time to time. And, as there can be no fixity in progressive democracy, the system proposed is the highest ideal of free institutions.

In the evolution of financial ideas we have heard advanced also the per capita basis system. But it is an arbitrary system, and an unknown quantity, from the fact that, as population becomes more dense, and the elements of production more diversified, the amount necessary would vary from time to time, and such a system of issue could not be automatic and self-moving, and consequently not scientific. A system to be scientific must be so instituted that the flow of money must be in the line of least resistance where the productive demands of society may call it, guided at the same

time by the intelligent law-making power. It must correlate with production, for the most part, so that money out represents value in commodities. Of course the want force of internal improvements is a proper point of money issue so far as necessary for government expenditures.

As Henry George has claimed that a sub-division of land into more numerous tenures would not help those who had no land, so a class of reasoners may claim that, to issue money over land, would not benefit those who owned no land; but, as I have tried to show, that the more numerous the land-holders the more employment there would be for the landless, and the more general the prosperity, so it must be with a money system that gives the advantages of money issue to land-owners. And it must be borne in mind that all real property holders should share the benefits of the proposed system. It cannot be helped that some have no property, and, whatever the system of money, those who have no security basis cannot borrow money. Artizans and laborers would profit indirectly, and they will be only too eager to deal with the more prosperous, and with those who will be more able to pay, and will consequently only too gladly endorse the system. Besides, all land-owners, if and when they need it, are to enjoy the benefits regardless of amount of property owned, proportional to amount of basis, while un-

der the present system, only the comparatively rich can enjoy the privileges of the national banking monopoly. Here alone is an argument sufficient to condemn the present system, and to give universal endorsement to the credit-basis system proposed.

Another advantage of the new system is in the matter of taxation. Taxation is the one thing about government the most trying to the citizen, and it is the one thing that never has been adjusted on an equitable basis. Indeed, taxes have been so objectionable and burdensome that, when the amount necessary is considerable, the indirect mode has been adopted by governments, and, even in this form, it has been the occasion of more disputation than any other public question. The new system of money at once decapitates the monster of taxation by government; and places this burden (which is not then a burden) on those who receive the advantages of money issue, and who pay it as a light interest on loans, and the poor man is thus again benefited in being relieved of a burden that has always oppressed him. It may yet be objected (and new systems must answer all objections) that land or real estate owners would, under the plan proposed, borrow money from the government, at the rate asked, and turn around and loan it at a higher rate of interest to other members of the com-

munity, and thus speculate on the less fortunate class that own no real estate. Well, this can be done now, and the only difference would be that competition would guarantee better terms to said less fortunate individuals, and it would be only an inconsiderable number, as now, that would so borrow, and only as money would be called for in various fields of labor. Let it be so that a man can borrow of his neighbor. That the system would encourage wild speculation is an objection on a par with that offered against a free ballot, and the exercise of popular power in legislation generally. But, that all the people know how to conduct their financial affairs quite as well as a class can do it for them, is quite as plausible as it is for them to pay said class so dearly for the usurpation of this most important function of government.

The selfish may object again that the system gives the man who is in debt an advantage over the one who needs not to borrow money. But why not allow your neighbor to borrow money on better terms if he can, and get out of debt sooner? Remember the first principles I have laid down—legislate for the weak, the unfortunate and less shrewd.

Let the reader reflect that the change proposed is not so much of a change after all; that the land-owner (any real estate owner) can and does bor-

row money from the bank now whenever he wants it, provided he complies with the terms; that no man, under either system, will borrow money unless he has use for it, and that, therefore, the extra inflation would only be the difference that the more favorable terms would make, and it could only be such as the business of the borrowers would justify.

It may also be reflected that, if interest is lower and terms easier, the borrower would be proportionately less liable to loose his property, and that the people generally would be encouraged to secure homes. Especially will this be seen when, in connection with this system, we take into consideration a graded system of taxation that bears heavier on large estates, and therefore tends to encourage small holdings, which will be discussed in another chapter. So I hope it will be seen, as herein claimed, that the great question of land monopoly, which has absorbed the attention of writers in all ages, and for which there has never been found a remedy, is solved only by the adoption of a system of money (the great instrument of exchange, and by which wealth is centered or disseminated) that is centrifugal in its tendencies.

## CHAPTER VII.

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### MONEY AND IT'S FUNCTIONS—(CONTINUED.)

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Value of money—the automatic systems—value creation by law.

In reasoning on the value of money, it is seldom that men take into consideration the range of prices of the various commodities that money represents, as compared to money itself. They talk about the price of commodities in money, but seldom think about the price of money in commodities, and, if prices go down, it is taken as an accident of trade that has no relation to the question of money, and while this is partially true in special instances, it is far from being true generally—general prices being governed altogether by the volume of money. A changing volume of money has been the potent cause of the varying conditions of trade and civilization, producing activity or depression, according as money has been plenty or scarce, from time to time. When money is dear, as compared to commodities, or when money is scarce, depression follows, and when

money is cheap or plenty, we expect to see activity. And it matters not a particle what form of money is in use, the rule holds good.

This was locally demonstrated in this country, when, during the civil war, the rapid increase in the amount of the circulating medium threw prices up at home, and again the rapid and great contraction of the volume, after the war, causing great depression of prices and stagnation of business. Of course, our greenback at the time, being only a partial legal tender, prices advanced out of all proportion with what the advance would have been had our money been fully monetized. There was not so much advance of prices the world over, although our metal money went abroad, for, as compared to the world's general fund, the increase was not so much, and the value of our metal money, and the issue of full legal tenders did not sink so much as compared to commodities.

It is unnecessary to produce statistics from history on the question of fluctuation of prices with changing money volume as it ought to appear self-demonstrating, by the simplest arithmetical rules and every-day observation; for, money, having to go between all business transactions, if there is not so much, it requires longer for it to get around, and, many transactions having therefore to wait, stagnation and lower prices must result,

while, if we rever the condition of money supply, the reverse set of facts must follow.

It is affirmed on good authority that the history of the Roman empire was in accord with the position herein stated—that, during her splendor, she had a large volume of money, and, as she declined into the dark ages, her money volume and general prices declined, as a result of the failure of the mines of Greece and Spain, and as a cause of the decline of civilization (to which we will refer again). And again, when America was discovered, and quantities of the precious metals from Peru and Mexico began to flow into Europe, prices advanced and civilization took on new life. In the war with Napoleon, England expanded her paper money, and not only succeeded in the war, but enjoyed great prosperity, with good prices; but, when she resumed specie payments and contracted her paper money, prices went down and business languished. Men whose interest it is to control the money of the world, understand these rules of money supply, and are ever watchful against an increase of money. This class of men have always dominated governments, and, hence, we need not be surprised that government paper issues have been discriminated against. Their watchful care is not only confined to paper issues by government, but they are often found arrayed against one of the metals, when they apprehend a

large supply. They induced some of the nations of Europe to demonetize gold, when, in 1849, there were reported mountains of that metal in California and Australia, and, when this scare was over and another appeared on the discovery of great silver mines in Colorado and Nevada, they had the same nations to re-adopt the gold standard, and demonetize silver.

The comparative value of different kinds of money is a subject worthy a brief notice. When paper money is demonetized, or partly so, it of course falls below the money possessing full legal powers, and, when the same thing happens to one of the metals, it becomes fully or partly a commodity, and, declines from the metal that is fully honored with the money function. And, when things are so shaped, those who oppose an increase of money, are found attempting to shut out the dishonored metal, or demanding more bullion in the unit. While gold and silver have for ages ran at an even ratio comparatively, one to twelve or fifteen, the demonetization of one has always caused it to depreciate, from the one remaining as money, in the country especially where the discrimination is made. More particularly will this be observed if the dishonored metal is produced in great quantities in the country where dishonored, from the plain fact that it is there more conveniently and cheaply produced and transported.

Thus, since the partial demonetization of silver in the United States, where so many mines are equipped for turning it out, the ratio has grown to one to twenty-two against the dishonored metal. The world over, however, this rapid and wide discrepancy does not exist, even allowing for cost of transportation to countries where silver is fully money, thus demonstrating that the ratio is to a great extent, governed by legal preferences and restrictions.

In countries where silver is the exclusive legal tender, it will, when coined into money, procure more commodities than any other form of money, and, if demonetized and depreciated in the United States, the middle man in England, say, can and will procure his silver in America, and other commodities where silver is wanted for money, and the American producer of other commodities suffers more than the American producer of silver, or, at any rate, as much.

As long therefore as we recognize the metals as money, both should be equally and fully monetized. Should we adopt the exclusive paper standard, a new set of conditions supervene. Money becomes automatic with demands of trade and more plentiful generally, and prices of commodities better, first at home and secondly abroad. The metals may go to some extent, for a season, but, in the general round up, not so much for

their demonetization lessens the demand for them or makes of them commodities. Silver went down when demonetized in this country, France accumulated the metals with a paper standard, and, in Venice when the metals were not money, their price was kept up only by a special law. If we have plenty of money and active business and production, we can buy all the metals we want, the same as we buy other commodities. If metals are demonetized here, they become cheaper, and therefore comparatively cheaper in other countries, but, if both are equally monetized here, one will do practically about what the other will, the stock of money supply will be increased and prices so far revive.

#### THE AUTOMATIC SYSTEM.

The double standard metal system of money, when both metals have been admitted freely to the money current at a given ratio, has been called the automatic system, because it moved freely into circulation, according to the production of the metals, and because its production depended on labor-cost, and therefore entered circulation on a labor-cost basis, as supposed. Let us see how far these claims are true, and what an automatic system of money is. Now, automatic means self-moving, or moving independently of will, and, in the question under consideration, to

be automatic, the system must be free at both ends of the process; that is, the supply should come proportional to the want force always and under all circumstances, according to cost of labor comparatively to the cost of labor in producing other things wanted by consumptive demands. In the first place, the production of the metals is not proportional to value of labor. Mine owners buy machinery and employ labor, paying according to supply and demand, and, in a short time become wealthy or otherwise. In one case they produce the metal at a light cost, in another at a greater. If mines were free and in all parts of the country, the metals would be produced at labor-cost, whatever that might be, but, as it is, they are produced under monopoly similar to commodities on which there is a patent protection. Wheat, corn, etc., are produced on a labor cost basis, but not so with the metals.

Secondly, the metals are limited in quantity, while labor supply is unlimited. Both ends of the system are not equally free, from both of the foregoing reasons.

Thirdly, the metals might become more scarce, or disappear entirely, while the need of money would be greater as population and business increases, which would make the system less automatic. Again, should the metals be found in mountain quantities, unless the volume of money

was regulated by legislation, on the theory that money is an invention by and for society, there would be an inflation of prices out of all reasonable proportion. Money would continue to enter circulation so long as men could mould out, in a given number of hours work, enough to pay for more commodities than they could procure in other ways in the same length of time, until in the absence of legislative restrictions, it might require a bushel of the metals to pay a week's board. Thus, we see that the notion that the volume of money should be regulated on the aforesaid metal-labor-production idea, and that the metal system is an automatic system, is erroneous, and that some form of legal regulation is the true idea of money issue. True, a system of money to be scientific should and must be automatic, and it seems to me that the matter of interest charge by the government, on a free supply at a given rate, is the true rule of money supply, because it can be regulated independently of the accidents of nature. The dollar, or unit, in the first place is, and must be, the ideal go-between, and the number of these units is the only question to be solved, the same as the number of spades would be a matter of calculation for a given number of workmen, the difference being that the calculation on tools would be exact, while that for the flow of money would

be the user wants, so long as it paid to use the units.

A day labor unit would not do, unless the day's work of every man was of the same value, as that value depends on various capacities, grades and necessities. But as an individual employs labor because he sees a profit, after paying for labor and interest on money, or, if cooperative, as the branch of industry grows or declines, as the case may be, the users of money would or would not borrow money, according to circumstances, and whatever rate of interest the government might charge would regulate, automatically, the volume of money in circulation from time to time. On this basis, both ends of the system are free to move in the line of least resistance, as explained in another chapter, the want end by the business and labor demands, the supply end under exhaustless source of supply, so long as the pay for use will justify the borrower in taking it.

#### RULE FOR THE GOVERNMENT OF THE FLOW OF AN AUTOMATIC MONEY SYSTEM.

The issue of money can not be on per capita basis, nor upon the basis of employment demand of the lower strata of society; but, to be governed by scientific principles, it must issue to the middle classes, over property, to supply the want force, as determined by the spirit of enterprise

manifested in productive industry; governed by the intelligence of legislation as to interest charge. And it may be observed that this is the rule or law that governs money issue now, and under all systems; the differences, under plan proposed herein, being the source of issue from the government, rather than from a class, to the people; credit base, rather than metal or debt; interest at rate to defray expenses of the system, rather than a rate fixed by a privileged class; with uniformity in amount at option of borrowers, rather than at option of lenders, and a paper rather than a metal unit.

#### CREATION OF VALUE.

An objection raised by the old school of thinkers to a government paper system has been that the "government cannot create a value," and, "as money is a thing of value, the government can not create money." It is as impossible to wean the Bourbons from this notion as it would be to convert a Calvinist to a more humane religious sentiment. In an argument with a leading congressman yet in the lower house, he became very much vexed because I could not see this important (?) truth. But false premises beget false reasoning. As it seems to me, it is only a gross misconception of the entire science of money that prompts the aforesaid hard money maxim. Money

being a *tool of trade*, a *go-between* or *representative of values*, it need not, and ought not to be a *thing of value*, but in performing the function of money, if a representative of value only, it always creates value for the government. It creates value by putting the forces of production at work, and, after performing its function, it being worn out and lost in time, the wealth it has created stands as a value created by money that has cost only a trifle to create, and that has disappeared, and therefore does not require redemption by the government. To illustrate by means of government public works, one way by which money is issued, suppose that the government pays out, by means of public improvements, an amount of money equal to the amount lost and worn out annually from the general loan fund.

There will be thus created buildings and improvements of various kinds (salaries and expenses of all kinds included of course), representing money lost and used up. There will be a creation of value that can in no other way be created from next to nothing. The government has the buildings, the labor and material entering into their construction has been compensated for, first with money, and secondly with the values that the money, in the hands of the laborers, has procured, the money has entered the general fund of circulation, and, from that general fund, a per-

centage equal thereto has disappeared, never to call for value or redemption again. Under the metal system nothing of this kind can be done, and, from the metal standpoint of reasoning, of course the maxim that the government "can not create a value" holds good.

But a sad argument for the metalist, that arises here, is the fact that, under the metal system, the government is continually losing a value that amounts to a serious burden to the people. The amount of government expenditures in time is enormous, and equals the nation's wealth over and over again, in the everlasting years, and not only must this amount be taken from the people, by some plan of taxation, but the amount lost and worn out must be made up by increased burdens. This manner of money supply, or the system where the government does not create money at all, is a question that swells into seriousness on reflection, and herein lies the problem of government perpetuity, and of civilization itself.

## CHAPTER VIII.

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### MONEY AND ITS FUNCTION—(CONTINUED).

#### The Failure of Paper Systems.

There have been so many failures through history, in experimenting with paper money, so many false and bogus systems, that most people, and even those whose position requires them to think upon the subject, are little inclined to favor its entire divorce from the metal. Yet, when we reflect that metal systems have also failed, and that some paper systems have not failed, while others have failed simply because the powers that have dominated legislation have decreed they should fail, there is nothing more strange about the varying fortunes of paper than about the checkered career of metal. The metals and paper alike have been monetized here and there, now and then, through many national revolutions. All forms of paper money have done about what the creators of money have desired them to do. Money is something over which legislation has absolute control, and, aside from legislation, has no power whatever. Outside of this, the metals become

mere commodities, and are used and have powers just on a par with barter systems of half-civilized nations of antiquity, or when there was no money at all.

The first important fact about the comparative powers of the metal and paper systems is that the metals have been the money of times of peace and quiet, and that, when it comes to the requirements of perilous times with a government, it has always been necessary to resort to the paper system. This is because the metal systems are controlled by individuals who own the metals, while the government paper systems are owned and controlled by the government and subject to legal regulations.

Indeed, there is no such a thing as a government metal system. That is, the government has no control of such a system, any further than to take it from the citizen for purposes of national outlay, which has proven itself to be so burdensome a system during great national calamities that its abandonment becomes necessary. The paper system then takes the field and turns adversity into prosperity. The "greenback" took our nation through the great War of the Rebellion, when the metals vanished, and when nothing but paper money could have made that war a success, excepting, possibly, a system of bond indebtedness that would have entailed great and

lasting burdens on the people. And, notwithstanding the nature of the times, the issue of full legal tenders was on a par with gold, and gold all out of the country. Those issues that were only partial legal tenders, or partially money, of course depreciated, because the men who made the laws and those who sought the great advantages to be reaped from the opportunities for gambling that a partial legal tender offered decreed the depreciation.

Our full legal tenders did not depreciate because fully monetized, and because their issue was not upon a contingency of national perpetuity, as was the case with the South. If the South succeeded, the North was yet a government to stand by her money, the same as though the dispute was settled as it was, while the case was different with the South, upon the success of whose undertaking in the establishment of a separate government all her laws and obligations depended. Had the South issued legal tender paper money, it would of course have failed when the government failed, as will any government money, because a part of the government. Yet she had just as well have done it, and had she done it, and the North have adhered to a metal system, it would not be too much to say that the struggle may have ended differently.

The contraction of the currency after the war, so strongly condemned by Peter Cooper and his coadjutors, was a move not of statesmanship, but of carelessness, haste and ignorance, or of intentional fraud. Had Congress but attached to the money then afloat the full legal powers of money, as she did to a part of it, and kept up an equal supply, the great work would have been accomplished of guaranteeing prosperity and of averting the crash of business that attended the destruction of the circulating medium.

Rome had a similar experience in the Punic wars, and England in the war with Napoleon. Napoleon was sent to St. Helena, and the people of England enjoyed prosperity through a system of paper money, but on its abandonment the greatest depression followed in times of peace.

The republic of Venice prospered under a perpetual and exclusive paper system for six hundred years, or until Napoleon crushed the little republic.

In the war of 1870, between Germany and France, was a convincing experiment. Germany received a large indemnity of metal money from France and adhered to the restricted system, while France adopted the paper system, put her factories and furnaces and all productive enterprises to work, and in a short time had more of the metals than Germany.

France was blessed with prosperity, while Germany sent thousands of emigrants out of the country to find more promising fields of industry. France succeeded because she adopted a tool to work with, while Germany clung to the limited system and failed comparatively. But the metal system fluctuates in a way that ought to teach us at a glance that quantity, and not kind, of money is the mainspring of civilization. At the birth of Christ the amount of money in circulation in Rome was \$1,800,000,000.00 ; but the mines of Spain and Greece failed and the amount of money began to shrink, while the burdens of taxation by a corrupt line of rulers continued the same, and the dark ages supervened, and, at the final decline of the empire, a little before the discovery of America, the amount of money in the same provinces was about \$200,000,000, or one-ninth of the amount about a thousand years previous.

On the discovery of America and the production of great quantities of gold and silver from the mines of Peru and Mexico, its introduction into Europe gave new life and energy to mankind. Debts began to wear off, and gradually the dark ages disappeared, to be followed by the civilization of today. So that it appears the failure of money systems is a failure of money itself, or a failure in quantity, contraction causing depression, expansion prosperity. Of course, paper money fails

when improperly instituted, and that is truly paper money only which is issued as full legal tender and on the credit of the government, and, when the government fails, it fails, in which case we have no use for it. If a farmer quits farming, he needs no plows, but he would be foolish not to provide himself with plows in the contemplation that he might some day quit farming.

The Continental scrip failed because the municipalities that issued it were merged into another and a single government, which repudiated it; but we do not contemplate repudiation, and, if we did, we would have gained all the advantages that would be gained by the use of a tool of trade so long as used.

## CHAPTER IX.

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### MEANS OF DISTRIBUTION.—(CONTINUED.)

#### Commerce.

Commerce is the interchange of commodities and products of labor between individuals and nations, and is one of the great elements of civilization. It results from diversity of soil and cli-

mate, diversity of tastes and customs, and from diversity in degree and character of contemporaneous civilizations. Commerce, being a great means for the distribution of wealth, plays an important part in the conduct of government, and deserves careful consideration in politico-economic literature. And be it remembered, as we proceed, that commerce is an element in distribution that concerns all the people, and that, it may be shapen so as to benefit all alike, or so that a class may be benefited the most, or, indeed, to the injury of some.

The object of all commerce is to help production and consumption "meet and satisfy each other," and, therefore, to facilitate and lighten commerce is to promote the production, distribution and accumulation of wealth. The natural desire of mankind to procure wealth, to gain intelligence and to satisfy curiosity gives birth to the spirit of commerce, and the spirit of commerce is one of the drive-wheels of civilization. It was the spirit of commerce that led Solomon to the projection of his commercial policy when Palmyra and Baalbec sprang majestically from the desert, and that made them the great central marts of an illustrious civilization of antiquity; that inspired Constantine to found Constantinople as the capital of a new empire, where the riches of every

clime might find an easy entrance; that prompted Columbus to the discovery of a new world.

Commerce opens out the broadest facilities for progress and development, not only as pertains to physical well-being, but in every element of civilization. It gives freer scope to material production and a wider range for mental qualities, and opens opportunities for expansion in every particular. It stimulates, then satisfies, curiosity, gives variety in knowledge of men and things, and puts in play the most powerful springs of human action.

Rear a child among savages and it will be a savage, though taken in infancy from the most refined parents of a metropolitan community. Send a man into a desert or jungle, isolated from society, to rear a family, and, though he may supply them with plentiful subsistence, and books as well, unless they come in contact with the world, they will never be really civilized. Cut a community off from the main lines of travel for a few generations, and it will be ignorant and stupid, inversely proportional to opportunities and inclinations for contact with the outer world.

Commerce is properly divided into two branches, domestic and foreign, to which I will briefly ask the attention of the reader, in the order named, and with the view of showing the importance of

the subject, as it pertains to the distribution of wealth.

#### DOMESTIC COMMERCE.

Domestic commerce is the most important branch, because it embraces the major portion of wealth creation and commodity exchange.

There has been, of late years, not only a great augmentation in the number and forms of products of industry, but also a great increase in facilities of transfer, and, as these elements multiply and increase, there is naturally a proportional increase in wealth accumulation.

Whether this wealth accumulation from rapid production and exchange tends to centralize or disseminate depends altogether upon the manner in which the instrumentalities are instituted and conducted, which may or may not be subject to legislative control. And whether these instrumentalities should be, and how far, subject to legal regulations, must depend upon their scope, as affecting a less or a greater portion of the community, and the extent to which it may be sufficiently regulated by competition; for, on well recognized principles, the spirit of selfishness enters into all business enterprises.

Where an enterprise conducted by an individual or by a corporation concerns and affects a great number of citizens, the law, in many

instances, must regulate the management and restrict the profits of the owner or owners, in order that equity results; and this legal or legislative control may be partial or complete, according to the requirements of the case. The community may simply supervise to an extent, or it may assume the ownership.

We see in our system of government now various degrees of legislative regulation. The community governs, to some extent, various productive industries, and restricts the profits of the means of exchange, while it entirely owns other means of distribution. It regulates the conduct of mines, to some extent, it restricts the profits of railroads, and it owns the mail department.

If the industry or enterprise concerns the entire people, it is the proper subject of national legislation and control; if it pertains to a part only, it comes more within the range of local or state regulation. This line of reasoning carries us to the consideration of the advisability of nationalizing or communizing enterprises and industries, as may be necessary for the proper distribution of wealth and for the protection of the interests of all the people; and, as I am considering in this chapter more particularly exchange or distribution, I shall confine my remarks now to the subject of transportation, and there is no more fitting department for illustration than our railroad system. Our rail-

roads so generally affect all members of the community or nation, that it is a serious question whether they should be nationalized, so that the cost of carriage and traffic may be reduced to the minimum, and equalized and differentiated, according to the circumstances of location and distance from markets. Great advantages will be seen to attach to such a change on mere superficial examination, and, the further we penetrate into it, the more feasable it appears.

Under government control, the cost for transportation of commodities over long routes could be reduced to the necessities of the case, while, on shorter hauls the difference could be compensated to the extent required by the general management. The government conducts many mail routes at a loss, yet the communal system is inexpensive compared to what it would be under corporation or individual management; and a system of transportation which would bring the western farmer and the eastern merchant in juxtaposition is certainly not without advantages. Again, under this plan, government could regulate the wages of employees on a basis of equity, by raising that of the pick and shovel above the margin of bare subsistance, and, under the leveling influence of universal suffrage, congress would be compelled to make reasonable adjustments. Thus

there would be no more strikes and shut-offs to derange business and create confusion.

If we reflect a moment we may perceive that the conversion of the present into the proposed system, as applied to all corporations, would create no jar or hindrance, nor require any extensive preparation. The government need but take up the stock or bonds of the corporation, at a price that the government has the right and the power to fix under the right of eminent domain, as a first step, the management going right on as now, and, as a second step, begin to regulate prices in traffic and wages, as is done in the post office department, gradually eliminating and improving as requirements might suggest. New lines of transportation would be projected, as the necessities of different localities might require, all of which would be free from the influence of lobby and class dictation, comparatively speaking. The system through and through would be "of, by and for the people"—more than this democracy can not ask; less savors of class and favoritism.

Mr. George, in "Progress and Poverty," objects to all government control of industries, on the ground that it savors too much of paternalism, and dogmatically, and only dogmatically, asserts that, "whatever savors of regulation and restriction is in itself bad, and should not be resorted to if any other mode of accomplishing the same end

presents itself." This may be as well asserted of any government function whatever, and it may be remembered that government consists of "regulation and restriction;" simply that and nothing more, as it seems to me.

It may as well be objected that the post office department, the war and navy departments, etc., should be farmed out to corporations, on the ground that freedom is preferable to association.

Why not a separate railroad department or independent head, which may be as successfully conducted under government as under corporation appointment, and which will possess the additional advantage of being assisted by the advice and cooperation of the president, the cabinet, senate and house of representatives? As departments of industry develop, and our government becomes more developed, does it not require that much more machinery to conduct it? And, because the machine is more extensive, will it not run just as smoothly with competent and more numerous guides?

This fear of paternalism is but the sophistry of corporations, and we may expect them to oppose all interference with their prerogatives.

It can not be objected that government ownership would be a source of corruption. I think the reverse is true, for many corrupt schemes have been worked in connection with our railroads

under corporation management, while it is the exception that corrupt practices occur in the post office department. There are no lobbies so effective as those under the guidance of great corporations. Corporations send attorneys and agents to represent them in legislative bodies, but who ever heard of a legislator being elected by the influence of one of the heads of the departments of government?

#### INTERNATIONAL COMMERCE.

Foreign or international commerce results from diversity in productions and tastes of different countries, and is as important a factor in the production and distribution of wealth as is domestic trade. It is governed by the same general principles and rules.

The first law of international trade is that of *mutual compensation in commodity exchange*, or that *imports must equal exports in value*. One nation may export to another more than she imports therefrom, and import more from a third than she exports thereto, but, in the round of interchange, in totality, she must import equal to exports. This is not only a law of commerce, but a law of production itself, which may be illustrated in a very simple manner. An importer buys goods in Europe, because he has a market for them to the jobber or wholesale merchant; the wholesale mer-

chant buys them, because he is selling to the retail dealer; the retail dealer buys them, because he has customers for them; and the customers purchase them, because they have money to buy them, in procuring which money they have performed labor which turned out at least an amount of products equal in value to the goods they buy. The same process goes on in all the countries trading together, and thus the processes must equal each other, and the law of trade is reciprocity. Of course, one individual may produce more than he buys, from the fact that his wages do not equal the product of his labor, but another will buy more than he produces, because he has speculated on his fellow's labor, and the sum of the two purchases will be the same as though each received in wages the exact equivalent of his labor's products. Therefore, the purchase of foreign goods can not exceed home production in the long run.

One nation may, from temporary causes, purchase more than it sells, in which case it is said the balance of trade is against it (but really in favor of it since the man who is able to buy is better conditioned than the one who is compelled to sell), but in time the tide turns and things are equalized. This being the law of commerce, that we must buy if we would sell, it follows that where a nation produces a commodity, in excess

of the consumption demands of its people, she may expect to dispose of it only by taking in exchange therefor, directly or indirectly, other commodities equal in value to the commodity sought to be exported. If imports are hampered, exports will likewise be hampered, and, as imports advance in price, so will exports fall in price, thus taxing at both ends, that class of persons whose products seek, or the prices of which are controlled by, a foreign market.

Of course, there are times in the development of a country when it has been deemed a wise policy to place restrictions on certain varieties of imports in order to induce the importation of capital and build up home industries, but such a policy is wise only temporarily, and, when a condition of independence is reached, the continuation of the policy can be but suicidal; and suicidal because of the *second law* of international trade is, that *it stimulates enterprise and production.*

The force and power of production is determined by the possibilities of the consumption outlets, or by the "*vis a frontæ*" (power in front) as it is called in the physical economy. "Nature abhors a vacuum," and "bodies move in the line of least resistance," we say in physics, and these maxims are equally applicable to the laws of trade and the processes of production. Whenever and wherever production sees, or feels the force of an outlet, it

naturally moves in that direction, and it is this force that stimulates production and constitutes the spirit of enterprise. The broader the field of demand, of course, the more force given to production. Narrow the field, or cut off this power in front, and there will be observed a backward, choking process brought to bear on the line of supply, and that tends to cut off or check production.

By permitting nature to take its course, commerce will be as full as it is free, and the highest possible state of production will be reached, the most equitable distribution and the highest state of civilization attained. The development of commercial centers on lines of international trade may be evidenced as the creation of a surplus of wealth growing out of commercial relations. These marts could not develop but for international trade, and, in the absence of this trade, the larger cities would necessarily be the inland ones, and interchange, and consequently production, being less active, what would otherwise be flourishing cities would be but villages of fishermen. In the absence of commerce or international trade Palmyra of the dessert never would have been, and her piles of marble and pillars of granite, magnificent temples and stupenduous walls were but a commercial surplus growing out of the increased activity given to production by the com-

mercial spirit. So with all the principle cities of both ancient and modern times.

Foreign commerce being, then, a great means of production and distribution, its intentional hampering, in the absence of temporary necessities for stimulating a home commerce which is hampered by the foreign, is a policy of either selfishness or ignorance, to say nothing of its tendency to centralize wealth into the hands of a few to the injury and penury of the many.

### TARIFF RESTRICTIONS.

Different nations, at different times, and for various ostensible purposes, have imposed a tax on imports, either with the view of raising funds to defray government expenses, or to increase the production and consumption of home products to the exclusion of the foreign; and, as we may view the subject now from an American standpoint, it seems that the tariff spirit grows out of the relative difference between the producing classes in the different countries as to independence and prosperity. The American laborer, seeing the free interchange of products going on between this country and others, and the unrestricted flow of emigration, concludes that the time must come when his class of citizens must ultimately approach a lower level, and he thus thinks more about the danger of going backward than about

plans for a forward movement. He imagines he can elevate himself by fencing against the foreigner, by refusing to buy from the foreigner, and consequently refusing to sell to him, yet he has so built the fence that the foreigner jumps over it through free immigration, if not indeed otherwise. It is the laborer whose case we are now considering, and there is just one fundamental question to dispose of in this connection, and that is, does the laborer get more out of his labor by the imposition of the tariff?

Since the wages of the laborer constitute his only means of subsistence, the consideration with him is, how much wages and what can he procure with it? Then the object with him is to get all the wages he can and buy his goods as cheaply as he can; and, the tariff must raise wages more than it raises the price of products, or there is nothing gained for the laborer by the tariff. If it raises the price of goods in proportion to rise of wages, there can be nothing gained; if out of proportion above rise of wages, he loses; for it is not so much the rate of wages, which may seduce and flatter before converted, as it is the amount of the comforts of life he may be able to procure therewith.

As between countries similarly situated and conditioned, we can see that a tariff levied by all would even up all round, and be only a tax, and

this from any way of consideration, but we are examining the subject now as between an old and a new and developing country, and this must be borne in mind as we proceed. We start out then with a new country at a given stage and condition, with its natural resources, its given number of population, divided in a given way as to number of laborers and employers, and we want to consider the advisability of a tariff levy by government on imported goods. If we suppose a probable immigration of both laborers and employers, we may expect the same conditions to be maintained, in which case the tariff would do no good to either class—it would leave the same relative condition of things, except to raise the price on imported goods. If there should be more capital than laborers imported, it would be better for the laborers, if more laborers than capital, worse for the laborer, and this from the law of competition. But there would not be imported more capital than labor, while there would be imported more labor than capital; because, capital could procure labor cheaper in foreign countries, where labor is more plentiful, and because labor would seek the new country, where there are more natural opportunities and fewer laborers.

Now the seduction of tariff laws is the promise of higher wages, which induces immigration of laborers, and which, through competition, tends

to reduce wages. So in the matter of wages the laborer loses, or reaches ultimately a common level. How does it effect him in the matter of procuring subsistence with his wages? It is universally admitted that the tariff holds up prices, by preventing foreign products from being sold in competition with home products, only at a higher price.

The laborer thus procures less with his wages and has less to procure with, and thus pays the fiddler for music that some one else dances after.

Where labor is drifting into a new country, the employers of labor there, will naturally seek to keep out other employers or their products, by the law of competition, and this spirit of selfishness is the parent of tariffs instituted on the "protective" basis; yet, while the tariff raises the price of the imported article, and gives the home manufacturer an opportunity to advance his products, or to hold them up against the lowering tendency of improved machinery, it can not check importation, any further than the system tends to check production, unless it absolutely prohibits. For, so long as a commodity manufactured in a foreign country realizes a margin it will be imported. That is, so long as it can be bought in a foreign market at a lower cost, counting tax and carriage, than the same article can be had at home. And the object of the tariff is not to prohibit.

The only way possible, as it seems to me, to raise or hold up the laborer (reasoning independently of the finance question), in a developing country is to let commerce take its course, and shut out the competing number of laborers—something like the relations existing between the United States and China—shut off immigration but continue to buy tea.

The relation of labor to the question of tariff may be looked at differently from what it is from the tariff advocate standpoint, by comparing it to the position taken by the people of the Northern States of the United States in their trade with the South prior to the Rebellion. Cotton was then produced cheaply, because the labor producing it was slave labor, yet the North never thought of placing a tariff on the product. True, we could not raise cotton in the North, nor levy a tariff on interstate commerce, but the one only thought was to free the slave and raise him to a higher plane, where he should more nearly receive the full reward of his labor. Taxing cotton could not have benefitted the negro, as all can see clearly, nor could it have benefited the labor of the North, for in that case we should have continued to buy cotton from the South at a higher price. Neither would a tariff policy have made much difference to the Southern planter, who would simply have laughed at us for desiring to pay more for our cotton.

In that case we seemed to have taken the more reasonable position that the necessary relation of the labor of the world is such, by virtue of the inexorable laws of production and commerce, that, to legislate for labor, we must legislate for labor; that we can not expect to raise ourselves by pulling down others, but that the better policy is to strike for the disenthralment of the world's millions by a plan that will equalize the benefits of the inventive genius, and give to the laborer the full fruit of his toil. This seems to be the spirit, whether intelligent or instinctive, that inspires the various international labor unions.

The laborer will not be sensibly benefited, however, by tariff legislation; he may be to some extent by immigration laws. His substantial benefits must come through the adjustment of home industries and home production to his benefit, and through a money system that will infuse life and energy into our industries.

## CHAPTER X.

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### CORRELATION OF ECONOMIC FORCES.

There is a correlation between money and commerce that I think may be further illustrated and cleared up. A man produces a commodity or thing of value first for his own consumption or use, and secondly, for exchanging it for other things he desires, or for that which will procure other things; and there is a difference between trading between individuals, between commodities and between different countries that must be noted as we proceed. If a man takes for a commodity the promise of an individual, he has really nothing until that promise is converted into a commodity he may take from the individual, or into the circulating medium of his country, paper or metal, which will procure other commodities. If he could not so convert his product, he would not produce it, and the facility with which it can be done determines the force exercised in production. And he can not accumulate wealth, either in money or things, only so far as he may have produced something given in return either from his land or labor. He trades with a community,

by bringing to the store butter, eggs, etc., and takes in return coffee, sugar, prints, etc. If he buys more than he sells, he goes in debt, and there must be a day of settlement; if he sells more than he buys, he simply stores up the product of his own labor and land. He can not get something without giving a return. So long and so far as he exchanges his products for money, it makes no difference what kind of money, so long as it is recognized by the community, and stands as the representative for anything he may want. He does not, however, want the money of any other country. We often hear people remark that they want a money that is good the world over, but there is no such money, and if they were offered for their products the money of any other country, they would refuse it. If we follow trade back or up from the merchant to the importer, we arrive at international trade, and here similar rules govern the transactions as between individuals of the same community, excepting that each wants to get back to his own money as soon and as cheaply as possible, because with that he lives and moves. If he receives a money of intrinsic value, similar to that of the country with whose merchant he is trading, he has only exchanged commodity for commodity, value for value; if he receives paper money, it will procure commodities he may need from the country issuing it, but, if

too greatly and continuously in excess of those needs, it would proportionately depreciate, and he would curtail his sales to the merchant from whom he procured it, so far as necessary to dispose of the surplus paper, or to preserve a parity between the home and foreign money. If paper is given in exchange for foreign goods, we have so far given labor for commodities, because the paper represents labor performed, and we can do this only to a certain extent before it costs too much, and we begin to curtail purchases. For, as the money depreciates, we procure less for it abroad. So that, after all, this thing of international trade and circulation of money in foreign countries regulates itself, although in a somewhat different manner from home trade and circulation. If, therefore, the reasoning in this and a former chapter be correct, the issue and flow of money must correspond with, and that it governs production; that production flows with the flow of money, and ebbs with money ebb; that commerce, domestic and foreign, is commensurate with production, in the same way, as inexorable law.

Then, if the law of production is the law of money, and if the law of commerce is the law of production, it follows that the law of commerce is the law of money, since "things that are equal to the same thing are equal to each other."

This being the law, we should not fear that, in moving forward on one reform, we may come in collision with the other.

We may pretty generally observe that, in the minds of people unfamiliar with economic subjects, there exists this superstitious fear or fogyish or faithless disposition. This disposition may remind us of the old come-off of the quack doctor, who had bungled the treatment of a case and lost the patient, "that the patient had two or three diseases, and medicines, calculated to cure one, operated against the other." We find men fearful of the adoption of a paper unit of value, on account only of an apprehension that, in some way, it would interfere injuriously with foreign trade, forgetful of the principle that, if we attend to our home affairs, the foreigner will likely do the same, and that commerce will adjust itself to the new conditions as a matter of necessity.

On the other hand we find a class of tariff or trade reformers (?) who entirely ignore the money question, unmindful of the true law, in the economics of society, that money first, production second and distribution and commerce afterwards; or, in other words, that "money makes the mare go."

Should we adopt a paper unit of value and should such a course cause a dumping of metal money onto the market of other nations, tempor-

arily or otherwise, we should remember that we get always value received for it in commodities of value, and that the gap thus created at home may and will be filled with the paper unit, which will keep the wheels and spindles turning. The influx of an extra amount yf money into other countries will stimulate production there, to the prosperity of the masses there, in spite of the reigning monarchs of the gold and silver standards and in spite of the income class that fatten on the famine of the money market. They can scarcely demonetize both metals nor blind the people longer as to the cause of their misery and the remedy for it, and, as the greater attracts the less and as the higher draws the lower, we may expect, in our advance, to draw other nations after us in the march of progress. We advance, not on the principle of selfishness and competitive warfare, but on the broad Christian principle of charity and co-operation, to the reigning of justice and to universal freedom, when our country "shall be as a hiding place from the wind and a covert from the tempest, as rivers of water in a dry place, as the shadow of a great rock in a weary land."

## CHAPTER XI.

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### POLITICAL ECONOMY—(CONTINUED).

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#### Collateral Economic Problems of Distribution— Taxation, Labor, Co-operation.

##### TAXATION.

Taxation has been, and remains, a great question of political economy that, within itself, may ask our attention; because, even with a just and scientific system of money and a free condition of trade, domestic taxation may be so adjusted as to tend on the one hand to centralization or on the other hand to equitable distribution of wealth. Taxes are paid as reluctantly as a doctor's bill, each seeming a burden outside of the regular run of business. They always seem a burden, and yet it is a maxim that "taxes and death are certain". If taxes cannot be gotten rid of, it would at least be a relief to have them become uncertain. On an average the taxes on property consume it, or nearly so, during the lifetime of the property-owner, and thus, excepting the products of labor, the State takes finally everything, or, in other words, we pay a fine for owning property, as much so as if we lived on borrowed capital. So far as

this is necessary, we must say well and good, and I have pointed out, in that part of this work treating on money, a plan that gets rid of national taxes.

But, other sources of taxation are to be taken into account and they should be adjusted on the same principle of evening-up that characterizes the general spirit of this work. It seems to the author that the plan best to be adopted is one of exemption for the poor, and made cumulative on wealth as it centralized. Exempt the homestead to all alike, rich and poor, after which, place the minimum amount on the next additional amount equal to the homestead, and then on each additional similar amount let taxes increase, at a given ratio, as may seem necessary, from time to time, to preserve the equilibrium of distribution. The tendency of such a plan would be to encourage moderately small holdings and to discourage large ones. The spirit of grab would die, at a given point, without the necessity of an arbitrary rule which always seems undemocratic. It would operate on the same principle as the existing exemption laws, the protection of the weak against the strong.

Even with such a system, together with our new money system, taxes would not be high on a reasonably liberal estate.

## LABOR.

"All men, being by nature free and equal, owing nothing to each other, have no right to require anything from one another, only in as much as they return an equal value for it; or in as much as the balance of what is given is in equilibrium with what is returned, and it is this equality, this equilibrium, which is called justice, equity. Each is full proprietor of his body and of the produce of his labor."—*Volney*.

"A fair division of the goods and rights of this world should be the object of those who conduct human affairs."—*De Tocqueville*.

Writers on political economy, statesmen, politicians, moralists and demagogues have all had much to say about labor and its rights, but usually labor has had to look out for itself.

Before the earliest time recorded labor must have been oppressed from the nature of the case, since it required labor to evolve from the state of primitive man. The universal observation of this fact, passed along the ages, through the mythological maxim that "in the sweat of thy brow thou shalt eat bread," has fastened upon the minds of mankind the notion that drudgery is the fixed quantity of a fatal necessity, that can not be eliminated by the most progressed inventive genius; and, though we move on further away from primitive conditions, where each was compelled, with the rudest means, to produce his own

subsistence, towards the higher state where production goes on in infinite variety, by the mere touch of a spring or lever, labor has been and is yet told, by Seneca, to "thank the God's for polenta and water," by Malthus, that 'nature's table is overcrowded,' and, by modern pulpit orators that "bread and water" is the only necessary dainty dessert-dish of a civilization evolved from Deity.

Out of this notion of fatal necessity has sprung its twin genius, the "dignity of labor," that presents the sublime absurdity of prefixing to the Adamic curse, the title "honorable." These twin genii of superstition and cupidity have been thrown as dirt into the eyes of labor, to its subjugation, through all the ages, and yet stalk forth, with few to make them afraid.

But, going now from the field of superstition to the more congenial realm of common sense, let us look at the question of labor from the standpoint of the latter. The cardinal law of labor is that mankind will strive to get along with as little labor as possible. Subsistence with the least possible exertion is the natural law of our being, and the object of all invention is to lighten labor. The inventive genius is in reality the child of the aforesaid law. The Garden of Eden is looked back to as a paradise of delights, because, there, no labor was necessary; and, looking now to the future, to find that oasis of rest, we love to think,

as we sing, that "every day'll be Sunday by and bye."

We know that invention has made it possible, in many departments of production, for a few hours of labor to produce an amount of wealth sufficient to supply the wants of the laborer for many days, were the instruments used in production not monopolized by exploiters; and notwithstanding all that labor is doing for the idler, in giving three-fourths of its products for the privilege of working, none of the advantages of invention are given to the bone and muscle of the world. Such are the conditions indeed that we find labor ignorantly combatting that spirit of invention that is striving to b'ess it.

Cooperative production in manufacturing, and all departments of production where numerous employes are engaged under one head or management, to be conducted by the state, is the only rational solution of the labor problem, as it appears to me, and would guarantee equitable distribution of labor's products. Certainly it would be as easy of management as are our penal institutions, where we see its illustration in a form. It is altogether in accord with Jeffersonian principles, by, of and for the people, as contradistinguished from the Hamiltonian theory, by, of and for a class. It is decentralizing or centrifugal in its tendencies and carries each social atom toward a condition of independence.

Of course it must appear, to those who are at all familiar with economic subjects, that, with systems of money, trade and taxation all made and carried on in the interest of the producing classes, labor must reap its share of the blessings flowing therefrom, as I have tried to illustrate, in former parts of this work; but there is a movement rampant in the land, and it is in accord with the general upheaving spirit of the times, that labor should be free, and that freedom does not mean that it should be merely independent enough to work or play at pleasure, with time for leisure, but that it should have the full fruit of its exercise in cooperation. If products were equitably distributed, the producers could take a lay off when there was a great surplus, and no one would suffer, or, on the other hand, continue operations to the accumulation of wealth by all. Hours of work could be reduced when all got ahead, or increased when mutually agreeable or necessary. So that, to some extent independent of exchange conditions, or whatever the condition of exchange, a cooperative system of production would, in a great degree, obviate or prevent the periodical conditions of stagnation known as hard times, while strikes and lockouts would be a thing of the past.

We see the cooperative spirit making here and there an effort, sometimes successfully, sometimes

otherwise, to establish itself. That its first efforts in this direction may be ineffectual, may be no surprise, since this is the order of progress generally; but, that complete success of the cooperative movement will come in the near future, there can be no doubt; because it is the only possible fair system of production.

When men of enterprise and genius are cut off from the millionaire possibilities of the capitalistic competitive system of production, they will naturally turn their attention to another field and there will be no other field but the cooperative. Besides, the labor element, by government aid through proper bureaus, will be more independent and less subservient to the capitalistic class, and will move off in the cooperative line of its own accord. Capital being thus less exacting and labor more free, a compromise will be effected and both will grow into a fraternal relation of cooperative production. "The lion and lamb will then lay down together," but not with the lamb inside the lion.

## CONCLUSION.

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### ORDER OF PROGRESS.

Doubtless many who read this work will conclude that the measures advocated are somewhat extreme, after all. So they are, and for very plausible reasons; because, in formulating a theory, the ultimatum must be planned. It will not do to state half the case, for then the reader could see but a part. An architect draws the plan or model of the building, before erecting it, or before even laying the groundwork, and, when he commences to raise the structure, or do the actual work, he commences at the foundation, or base, and adds piece at a time, until the structure is completed; and often, as the workmen proceed, many minor changes are necessary.

Likewise, in practical statesmanship; it is not always possible to conform legislation to the exact model of the theoretical economist. No foresight is quite equal to the retrospective, and, in practical application, many details must be varied from the original design. A writer can only lay down general principles, and the legislator must fill in the details; and this rule applies however correct the principles may be.

Besides, all questions of political economy, or, more properly speaking, questions pertaining to the art of government, are necessarily of a progressive nature, and hence it is that no builder can attain perfection, however deliberately he may investigate and theorise.

In the realm of finance, for instance, we have seen, in our brief history as a nation, an evolutionary process, not only astonishing, but, well calculated to cause the thinking mind to expect still further improvement, and to perceive the difficulty of one man formulating a perfect system. But, if the general plan seems feasible, the practical statesman will proceed, cautiously, we may say, and move gradually toward the desired end. He may first clear the way by removing the national banks and permit the government to issue the paper money in reasonable quantities, and provide for free coinage of the metals for foreign exchanges. Next, he may proceed to expand government paper as a full legal-tender, and increase it through government expenditures, so long as on a par with the metals. Then, when it is ascertained that a great quantity of paper can be kept at par continuously, a great many superstitions will be removed. Finally, when it is observed that the metals are more plentiful than they were, before the increase of the paper, and we may ascertain that the paper will buy the metals, and

that our increased productions, resulting from a plentiful supply of a tool to work with, will buy metals, provided the supply of the metals continue, we will be in a position to see the practicability of an exclusive paper unit. If the metals should depreciate below the paper unit, by virtue of increased supply, we would either be forced to demonetize them, or enabled to see the superiority of paper, and use it from choice and in increased quantity, issued as loans at a low rate of interest, or otherwise. On the other hand, if the metals should disappear entirely, or their production cease, we would at once perceive the necessity of the paper unit, regardless of all questions of parity.

Similar rules apply to the conduct of other departments of government, the details of which must be left to practical statesmanship and experience.

Lastly, the reader is cautioned against the sophistry of fixed income classes, the fogyism of the bourbons and exaggerations of political demagogues.

Every argument, fallacious or otherwise, that shrewdness can invent, every means that can be commanded, will be adduced to defeat the measures advocated in this work. Like every advance in science, like every religious reform, political

innovations must encounter opposition only measured by their importance.

The battle to be fought, on the money question especially, will be similar to that over slavery, from the fact that the new system breaks the back of the money lender in this country and seriously cripples the same class in other countries. It (the new system) is the bugle sound to the funeral of the world's greatest tyrant and which leads the way to a perfected civilization.

## APPENDIX.

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### THE LAW OF POPULATION—MALTHUSIAN THEORY —HIGHER LAW.

The laws governing the ebb and flow of population have been the subject of as much speculation as perhaps anything pertaining to political economy, but it would seem that many writers on the subject have been more disposed to harmonize existing conditions than to ascertain the true law—to make it appear that economic conditions depend upon population more than the reverse—and they lay down the proposition that the pauperism and misery found in the world results from a crowding of population, rather than from inequitable economic conditions; in other words, that the only remedy for existing evils is to be found in population adjustment. The Biblical injunction, to “increase and multiply” has been a great stumbling block to the old school of writers upon this subject, who would presume to find in nature a tendency toward conditions that would render its violation necessary, as well as to those who, from other reasons than economic conditions, would not choose to follow it; but, Malthus, a

century ago, formulated a theory burdened with the difficulty of a contradiction between nature and the literally interpreted divine injunction, quite positively. The Malthusian theory, in a nut-shell, is that population naturally tends to increase beyond the powers of nature to afford subsistence, and that the proper equilibrium is maintained by what is called the preventive or prudential and the positive checks—the former being all causes preventing propagation, the latter, causes that increase mortality rate.

In this theory there are both truth and falsehood.

On the side of its support, it may be said, that the Biblical injunction was only intended to apply during the infancy of the race, or in newly-settled countries; that the rule holds good under certain economic conditions, and that it also tends to hold good in certain stages of race-development, and while the reproductive forces and animal propensities dominate over the more intellectual, social and æsthetic, whatever the economic condition.

On the side of its denial, it may be said, that, if true, the divine injunction, is to be observed universally, is contrary to nature, and therefore wrong; that the operation of the law depends on economic conditions, and that, whatever the economic conditions, the increase of population is governed, to a great extent, by art, and neither

by divine intention nor by nature; the latter truth entirely upsetting the more fundamental basis of the Malthus reasoning.

I was, not many years since, walking the streets of a village in company with a public official, and, passing some nice yards, in which were some little flower beds, he remarked: "The time will come when these yards, even, will be crowded to the highest possible state of cultivation." I replied, "perhaps," but thought how unobservant of the real nature and progress of things!

My friend had not reflected that as civilization has hitherto advanced, and as now advancing, many who possess yards at all have them of continually increasing dimensions, while others are deprived of all such conveniences; that, as the gulf widens between the rich and the poor, a part have uncultivated yards and parks, gardens and drives, while multitudes have no where to plant a flower. He had not reflected that no nation had ever perished for lack of ground on which its population might have subsisted in plenty, under an equitable subdivision, and that many had gone down on account of the poverty and wretchedness of the masses, wherein broad fields lay uncultivated. Nor had he any idea of such change of conditions that would make future history different from that of the past. The remark was the outgrowth of an impulse, the result of an admix-

ture in his mind of the Malthusian theory with the more humane elements of his nature. He had concluded that, in a few centuries, population would necessarily begin to crowd upon land, and felt that they ought to be provided for, even at the expense of my neighbor's flower beds.

Many will be the revolutions before this condition supervenes. Indeed, it will never come, whatever may be the economic adjustments of the future. There will always be room for humanity, room for flower gardens, for public and private walks, and room for happiness, when, and so long as our political institutions are guided by competent and patriotic statesmen.

For a complete and clearly-stated refutation of the Malthusian theory, the reader is referred to the treatment of the subject by Henry George, in his "Progress and Poverty."

#### THE HIGHER LAW OF POPULATION.

But while the preventive or prudential check to the increase of population is argued by Malthus from the standpoint of necessity, I propose to expose the fallacy of his reasoning by showing that the exercise of this check is governed by a different law and one that harmonizes with the aspirations of a more highly developed humanity.

Malthus' notion was that of a check prompted by the necessities of poverty, while I think it

demonstrable that choice and inclination are the governing factors in a more advanced civilization.

In this, as in other departments, civilization consists in the taking advantage of nature; and, while existence need not be a struggle under proper social arrangements, and, while there may be room for all who come, there are practices and sentiments of society that conclusively teach us that, in the progress of humanity from the lower to the higher orders, population is more and more regulated on an intellectual rather than on an economic basis—that population becomes in a measure self-regulating, independently of the question of ability to support a progeny.

We are all familiar with the fact that poverty and ignorance combined furnish the more numerous offspring, and why should this be so if Malthus' position be correct? Especially in the matter of wealth possession the reverse rule ought to assert itself, but the rule, that poverty turns out more numerous offspring than riches, is so universally recognized, that the maxim has grown out of it, "A fool for luck, but a poor man for children."

It is true that the reasons and wherefores of this rule have been little commented upon. In fact, it is looked upon as a kind of mystery.

Any physician who has practiced his profession twenty years, cannot have failed to become famil-

iar with the practices and inclinations of people in connection with the subject under consideration. The injunction "increase and multiply" has not altogether lost its force with a class of religious people, but religious precepts that contravene happiness and convenience, in a social state, have in this day of liberal interpretation, anything but a firm hold upon the popular mind; and the common observation is that, when mankind arrives at a certain point in civilization, a prudential check asserts itself, quite different from the hypothesis of Malthus and more in accord with the harmonious play of nature.

And I take the ground that this growing sentiment, favorable to the voluntary regulation of offspring, is in keeping with a progressive improvement in morals. In fact, the very basic idea underlying this sentiment are averse to the more animal free play of the passions and intersexual relations, and consequently on a moral plane above that inspired by a literal interpretation of the Adamic injunction.

True, it may appear, on superficial examination, that preventive knowledge encourages a freer illegal contact, but, even though we admit of improper relations, and extra nuptial irregularities, in some cases, I think the increased mental force of a higher order will prove a barrier, in the right direction, or compensate for what may be lost where

ignorance gives way to animal passion. For we observe that, it is the more ignorant who supply the illegitimate offspring. It is furthermore a matter of common observation, with the physician, that, in the marriage relation, the desire, among women, to control or prevent offspring, is by no means an evidence of unchastity ; but, on the other hand, such women are among the most chaste, while a keen desire for offspring is frequently evidence of uncontrollable amitiveness.

The organ of philoprogenitiveness is situated along by the side of that of amitiveness in the brain, and consequently the theory of prudential check, herein advanced, is naturally in keeping with the highest idea of morals. The force of the argument, that population tends to regulate itself, in response to natural sentiments, as the race advances to a higher plane, is seen in the relative increase of the white and colored population of this country during the last decade—the rate of increase of the colored race being greater than that of the white.

The animal struggles for existence with all the passions in full play, while the civilized man restrains, curbs and regulates the passions in conformity to social aspirations, and a condition of happiness. And with this the exercise of the more exquisite passion becomes more refined.

Even now we see advertised openly the " Mal-

thusian cap," the "Malthusian capsule," "stem," "suppository," etc., ostensibly for women too frail to bear offspring, but more truly for the more healthy who do not want the care of children.

This higher law of population is in keeping with the automatic play of nature and physical forces, causing population to adapt itself to the varying conditions of civilization, and rather than cease propagation by being crowded down and down in economic conditions, as Malthus reasons the case, to which condition he would have us look forward to, we should rather have humanity regulate the production of the species while on the upward move.

We who, therefore, put confidence in the *higher law*, look forward with no gloomy forebodings of a necessary condition of overcrowding and pauperism to the point of cannibalism, but, with faith in a more scientific solution of political economy, we believe the Garden of Eden—the culmination of civilization—is yet in the future and for the possible attainment of posterity.



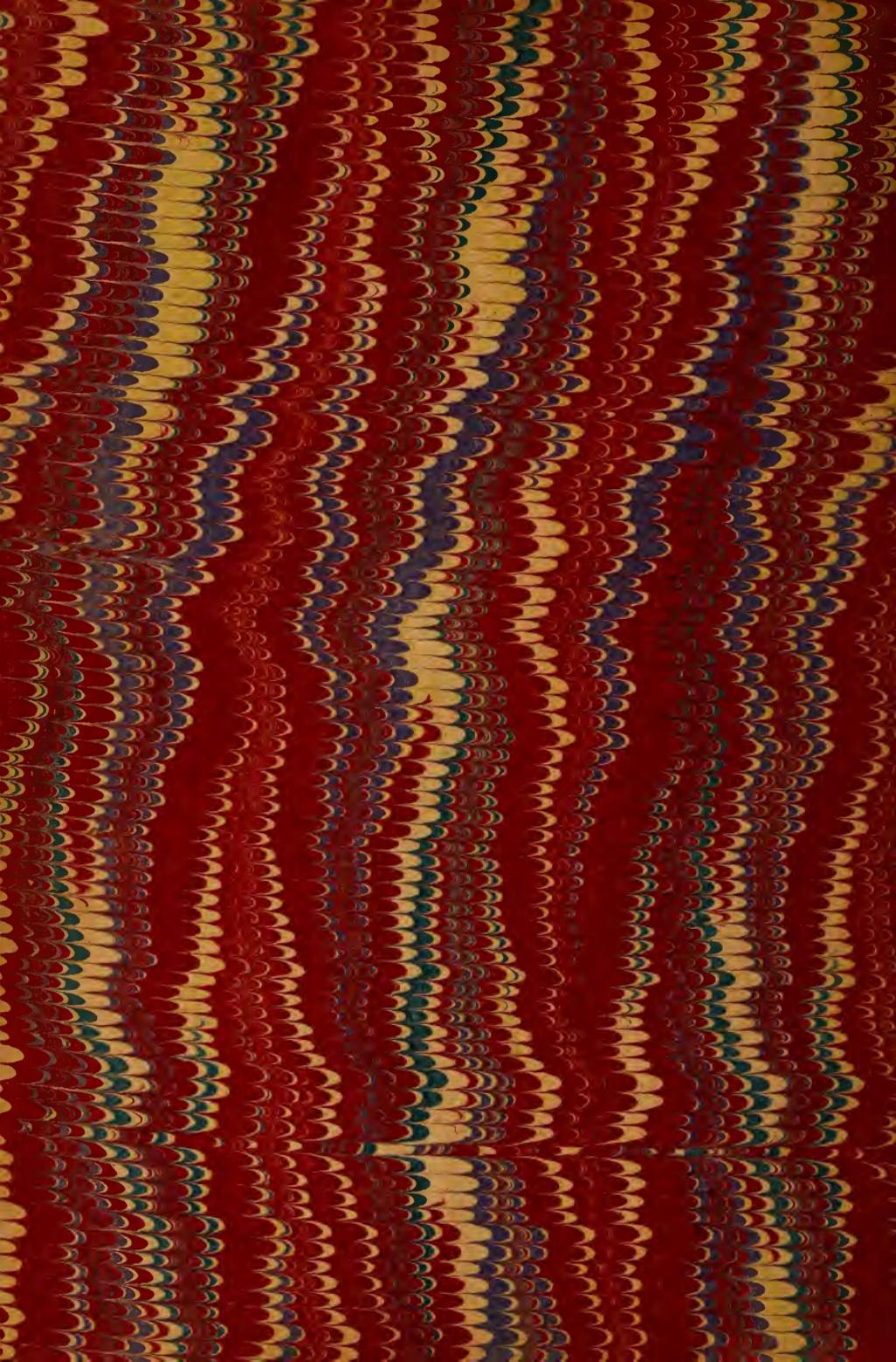


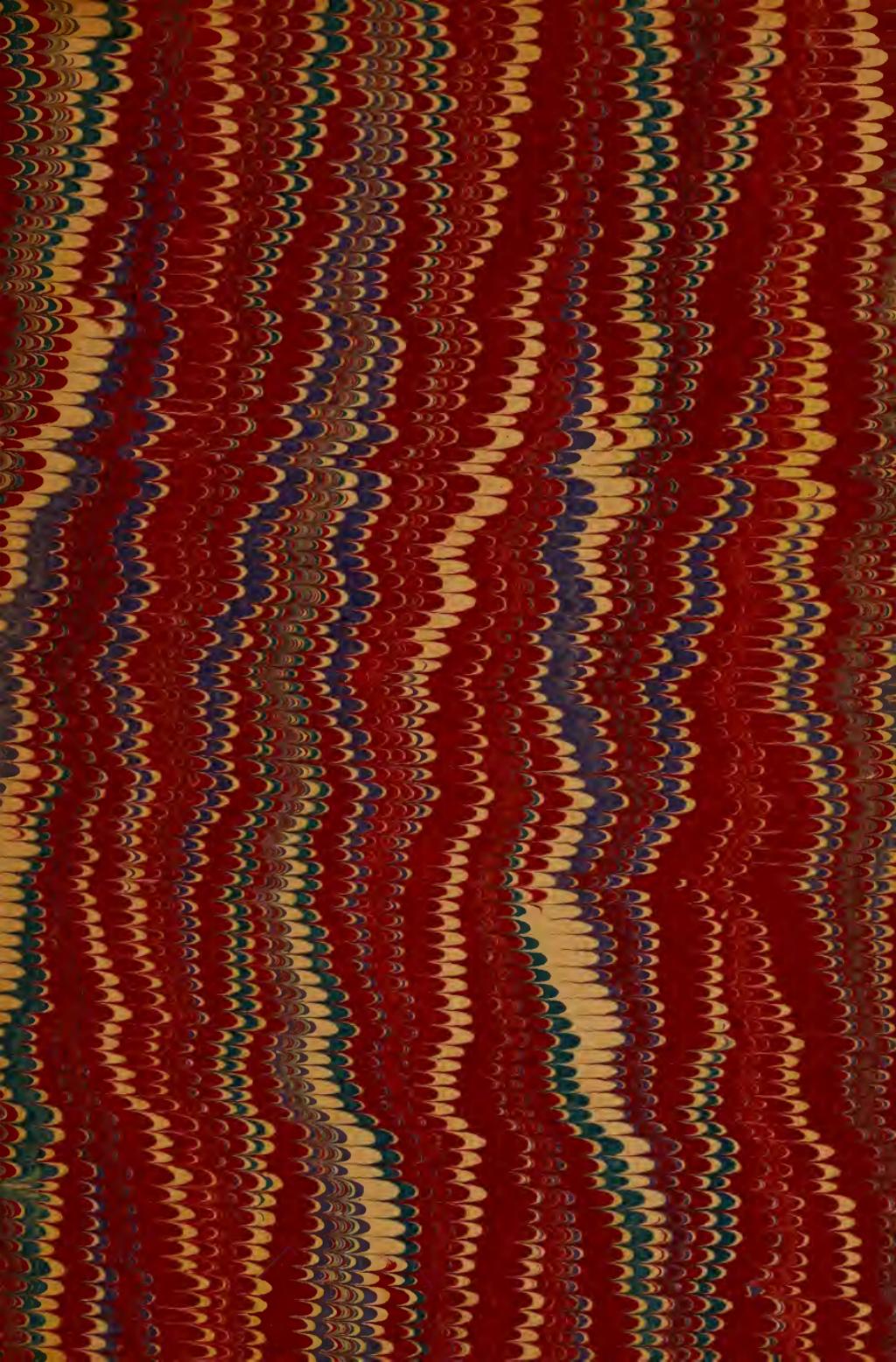




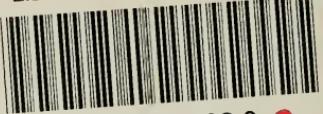








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